The MAGAZINE of WALL STREET

and BUSINESS ANALYST

DECEMBER 26, 1953 85 CENTS

PATTERN OF INVESTMENT SELECTIVITY CHANGING

A NEW AGE OF INDUSTRIAL EXPANSION THROUGH ATOMIC ENERGY
— WITH A COMPREHENSIVE LIST OF COMPANIES ALREADY ENGAGED IN THIS FIELD
By McLELLAN SMITH

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PART II By J. C. CLIFFORD

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and BUSINESS ANALYST

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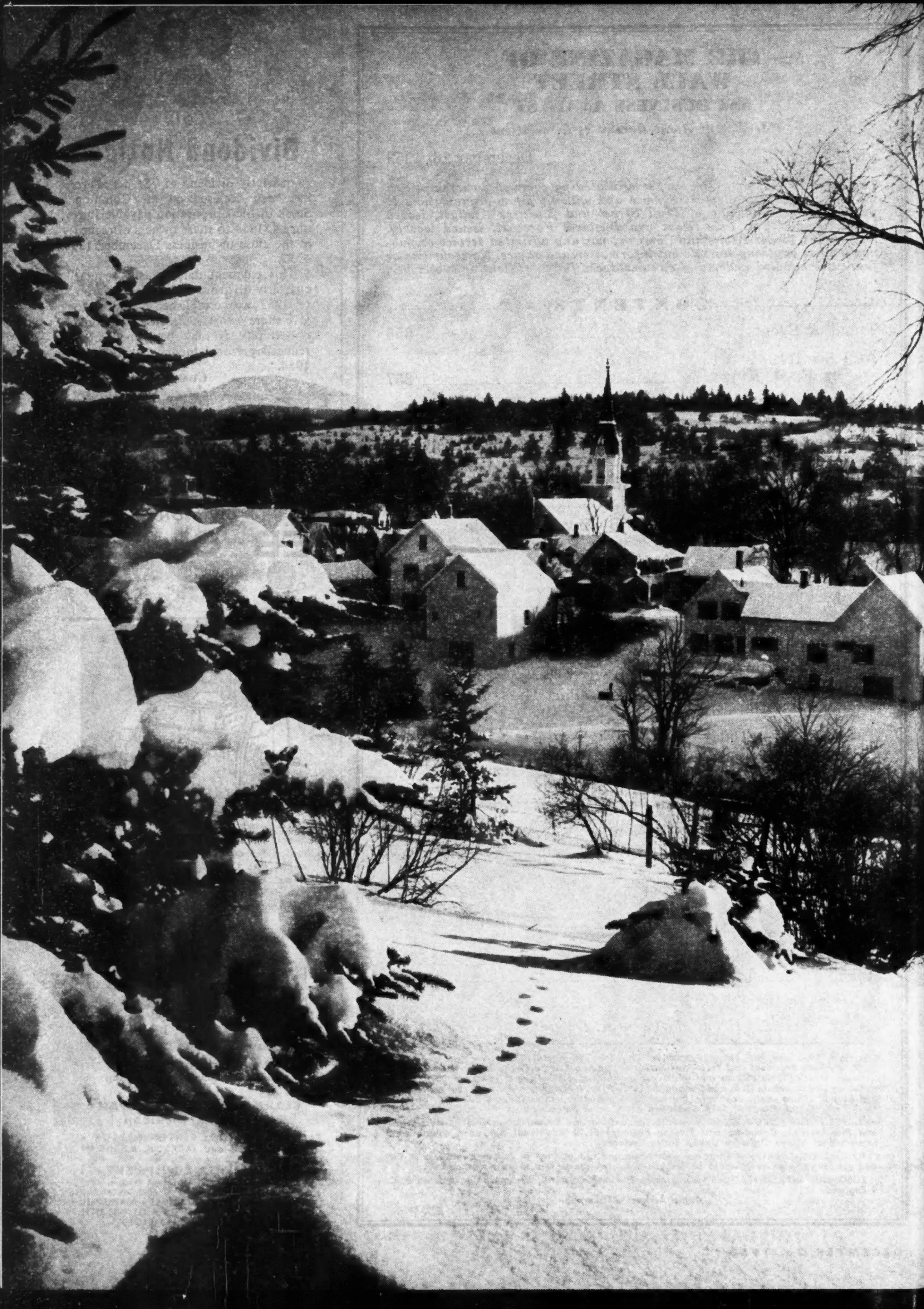

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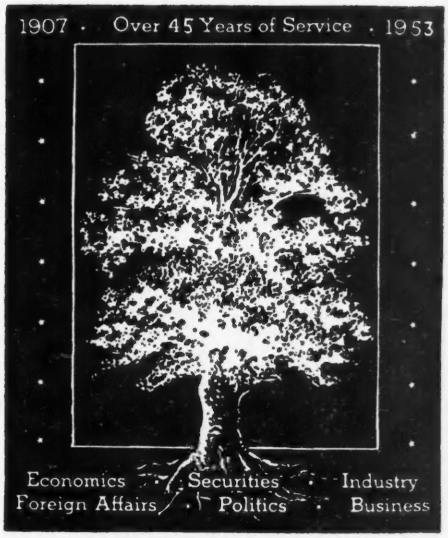
THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Editor-Publisher*



The Trend of Events

THE LEGISLATIVE PROGRAM . . . Shortly after the turn of the New Year, President Eisenhower will present to Congress three messages which will be awaited with profound interest throughout the entire world, let alone the United States. These three are: The State of the Union, Budget and Economic reports. The recommendations contained in these messages will be of the highest importance as they will tend to shape the economic framework of this country not only for next year but, probably, for some years to come. Especial significance is attached to the coming messages because it is realized that major decisions can no longer be postponed; that, if sound, they will help to sustain prosperous conditions and that, if unsound, it would be difficult for the government to retrieve any worsening of the situation.

Fortunately, the Administration has not fallen into the trap of being goaded into hasty decisions and sketchy economic experimentations. It has by now accumulated a great deal more knowledge on the economic outlook than it had earlier in the year and is therefore in a more favorable position to assess its 1954 and later requirements. Obviously, this is an advantage in formulating a budgetary program and adopting sound tax policies.

During the past few months, officials in the Administration have been busy in accumulating a mass of information relating to every phase of its forthcoming program and the President, armed with this data, has just met with leading members of his party to determine the form of legislation in the coming session. When these proposals are presented to Congress, members will have the assurance of a well-knit and consistent plan carefully and realistically developed to meet the needs of the nation. It will be a plan basically governed by economic rather than political considerations. While it is never possible to eschew politics in government programming, especially in an election year, one may be sure that it will be subordinated on the sound premise that the best politics next year, as the President himself stated, will be for this Administration to secure from Congress the kind of legislation that will help ensure a high degree of economic activity in 1954 and thus retain the support of the majority of the nation.

> *We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!*

WHO NEEDS THE AID? . . . The recent report of the National Electrical Manufacturers Association on imports of electrical equipment and machinery reveals the highly significant fact that the American electrical industry is falling behind, comparatively speaking, in the race for markets. Imports to the United States in 1952 were eleven times higher than in pre-war whereas exports from the United States were only five times higher. In the first six months of this year, foreign electrical sales to this country — mostly European — increased 50% over 1952 whereas United States sales abroad increased only 9%, even less if Canadian purchases of American goods were excluded.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907 — *"Over Forty-five Years of Service"* — 1953

Not only is foreign competition increasing in the United States but also in other markets abroad which American manufacturers have hitherto dominated. The Association attributes the increasing success of foreign competitors as against American manufacturers to several factors among which the following are especially important: the differential in labor costs between the United States and European producers, with American manufacturers paying wages from three to ten times as high as their foreign competitors; longer work-weeks in Europe with smaller over-time pay; (American manufacturers pay 50% and more in over-time whereas in Europe the rate is 25% at a maximum); lower home taxes on foreign producers than on U. S. firms.

Apparently existing American tariff rates affecting these products are not a deterrent to foreign sellers in our home markets. At the same time, foreign buyers find the lower European prices attractive as against competing high-cost American products.

This situation has ironical overtones. It was not so long ago that we were spending billions to rescue the European economy and we are still spending plenty. In the process, we seem to have reared up against us a competitor of increasingly formidable proportions.

A NEW YEAR'S RESOLUTION FOR INVESTORS . . . At every year's end, Americans, or at least some of them, like to re-examine their consciences to see wherein they have failed in the past year and to vow that they will not make the same mistakes again. Sad to relate, this worthy goal is soon forgotten and the old mistakes are repeated, not to mention some new ones that somehow get added to the collection. Despite these lapses, it is nevertheless worth while to make another effort. And so, we suggest the following New Year's Resolutions for investors:

¶We resolve that we will take another look at our securities and see whether they really fit our needs; and those that do not, we will replace;

¶We resolve that we will not act impulsively but carefully weigh each investment move so that it harmonizes with our program;

¶We resolve that the sources of our information shall be authoritative, impartial and reliable;

¶Furthermore, we resolve that we will not permit mere blind desire to overcome our judgment and that we will, at all times, be guided by prudence in the conduct of our investment affairs.

These are always safe principles to follow in any year.

RATE OF PENSION FUND INVESTING . . . Approximately $2 billion to $2.5 billion annually flow into the nation's pension funds. Of these plans, there are now about 15,000 in operation, more than double the number at the end of World War II. These figures are fairly prodigious and it has been assumed that if their rate of growth in recent years is continued, demand of pension funds for suitable investments would outpace the capacity of the market, and that this might result in producing an artificial shortage of high-grade securities.

Fears on this score, however, appear groundless. It is true that pension funds have grown with amazing speed since the end of the War. Nevertheless, the two factors which were mainly responsible for the rapid growth of the funds are likely to largely disappear in the next few years. The first of these is that most of the largest corporations have already placed the operations of their pension funds into effect so that further accruals from this source will not be forthcoming to any great extent. Any additional pension funds to be created will, therefore, be comparatively minor and thus not nearly so much a factor as the past huge sums accumulated for this purpose by our largest enterprises.

The second of these factors which should diminish in influence is that original pension fund contributions for the largest corporations were unusually heavy as they incorporated accumulated funds for past service retirement credits. With these two special factors likely to be less in evidence in future years, it appears that the volume of funds flowing into pension plan operations will attain a greater degree of stability than has been the case in recent times. Furthermore, as the plans commence to reach maturity, funds will be flowing out to recipients at an increasing pace which will tend to exert some pressure on the volume of new pension fund investments.

Undoubtedly, with the increase in the labor force in sight, as the population grows, the amount of capital available for investment by these funds will continue to grow but at a much more moderate pace than heretofore. In that case, they could continue to occupy their relative position as to new investments, compared with other large savings organizations without unbalancing the structure of the investment markets.

GENERATION OF WEALTH . . . Basic to the economy of this nation is the steady growth of our capital goods industries. Almost 20% of the total industrial output is now represented in the production, transportation, distribution and servicing of these industries and others associated with them. This year about $4 billion was added to the capital goods production figure, lifting the total to not far from $58 billion. This is an immense sum, the significance of which it is difficult to over-estimate.

This area of industrial activity alone has created nearly 8.3 million jobs so that it can readily be seen what it means to consumer buying power. Furthermore, the creation of new jobs is greatly facilitated through the ever-increasing range of products and equipment supplied by the capital goods industry. In addition, it tends to hold cyclical fluctuations in employment to comparatively minor proportions as the demand for these products remain fairly constant in an economy which requires effective maintenance of productive facilities. This is one of our chief props to generally high national production.

As long as capital investment is substantial, the gross output of American industry probably will remain high, even though 1954's total may not quite measure up to that of 1953. Based on this important factor, we should reach the conclusion that on an over-all basis a serious decline in the nation's production for 1954 is not to be expected.

OBSERVATIONS ON FINANCING . . . Notwithstanding prospects for a downturn in business over the next few months, at least, many industrial corporations are proceeding with their plans for improvement and enlargement of facilities in (*Please turn to page* 408)

As I See It!

By E. D. KING

SECRETARY DULLES TELLS THE FRENCH A THING OR TWO

Our Secretary of State, John Foster Dulles, said some things in Paris the other day for which he has been severely criticized by the French press. He was accused, among other things, of having had the temerity to intervene in French internal affairs, and the mildest criticism offered was that he committed a diplo-faux-pas of the first order.

What did he say that was so terrible? He said simply, what everybody knows, or ought to know, that there is no defense for Europe or France, for that matter, without the European Defense Community. Did Mr. Dulles make this statement in a posture of arrogance? Not at all. He merely said what the British government and the other member of EDC have been telling the French for more than a year. If they have been dragging their feet, is the Secretary to be blamed for reminding them of it?

And if brickbats are to be thrown, a few might be reserved for some sections of the American press. They have been busy playing up the reactions of the French politicians and commentators without bothering to point out that, in actuality, the Secretary has the support of virtually the entire European press outside of France. It should not be inferred, as too many of our own commentators would make us believe, that the Secretary committed a major blunder. This is not serving the American people in the slightest.

Admittedly, Mr. Dulles took a strong line in addressing himself so forcibly to the government and people of France, but he was on very solid ground when he did so. Representing the American government, it was his duty to remind French officials that under our laws fifty percent of military aid to Europe is restricted to EDC. If there is no EDC, the grant is lost. This is a very potent reminder to France to get busy, for, as the President said the other day, if there is no EDC, "what are we to do?"

"STRONG MESSAGE FROM MR. DULLES"

Dowling in the N. Y. Herald Tribune

There is a powerful implication in this statement that, in this eventuality, we must find another base of operations in the defense of Europe, and the United States – against potential Soviet aggression.

Would France be any better off if, through her own unwillingness to go through with the plan which she herself originated in a moment of brilliant inspiration, she were left alone on the Continent to cope with a resurgent Germany, not to mention a menacing Russia? This attitude seems altogether unrealistic and hardly corresponds with the reputation of that great people for precise thinking.

In pointing out the inescapable consequences of French failure to ratify EDC, Mr. Dulles was speaking as a friend of France. He was mindful of the traditional respect and friendship which we hold for our old ally, whom we helped to liberate twice, at terrible cost to us in blood and treasure, and within the space of one generation. It is, indeed, because the American people do not wish ever to repeat that grim experience again, for the sake of the French people as well as our own, that our government dare not yield in insisting that the French follow through on EDC. For there can be little doubt that the possibility of war with the Communist bloc is heightened, not lessened, by a Europe that has not been able to coalesce militarily. In the (*Please turn to page* 408)

Pattern of Investment Selectivity Changing

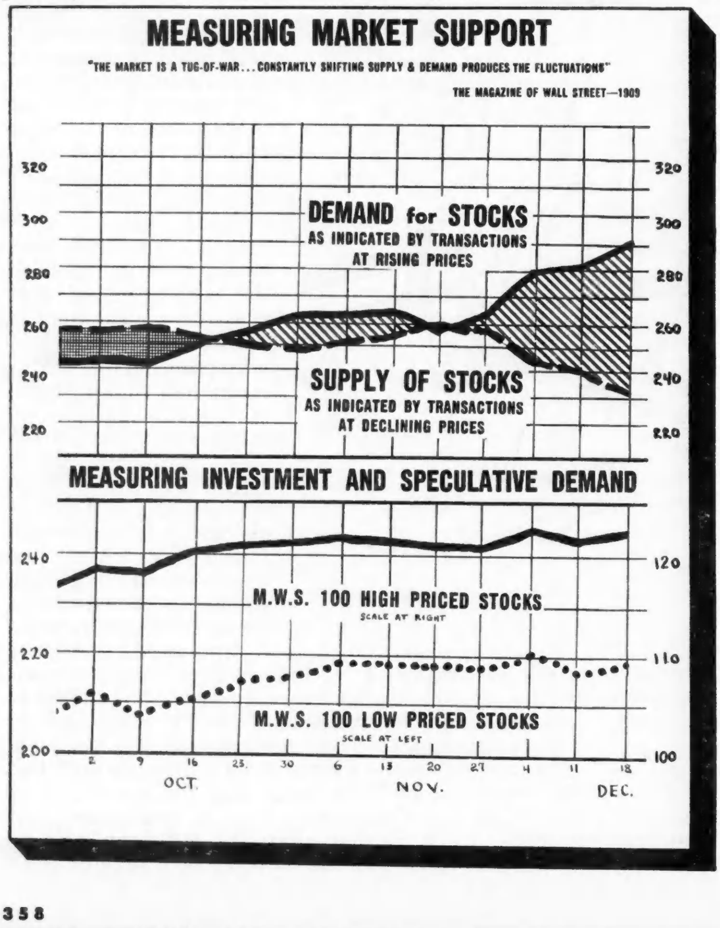
There was little net change in average stock prices over the last fortnight, although improvement in recent sessions took the daily industrial average to a new post-September recovery high by a fraction. No shift from a moderate-range, highly selective market is presently indicated though selectivity pattern is changing. Our conservative policy remains in line with this prospect.

By A. T. MILLER

Following roughly a week and a half of mild reaction from the post-September recovery high attained within the first few days of December, the second half of the December 11-18 week brought development of a better market performance, which centered mainly in selected and mostly prominent industrials. It lifted the Dow industrial average a fraction above its December 3 rally high, resulted in a slight net gain for the last fortnight and, of course, slightly extended the upswing begun in mid-September. Now of more than three months duration, it has amounted to roughly 28 points for the Dow industrials, or slightly less than 10%.

So far as future possibilities are concerned, especially for the new year now looming up but also even for the short term, the facts cited may have limited significance, if any. In the first place, nearing the year end, some show of strength in the averages is minimum expectation on a seasonal basis. In the second place, the improvement in recent days would not be worth mentioning except for a spurt of 3.25 points, largest in some time, by the industrial average in the single session of Wednesday, December 16. The additional net rise to the end of last week was only 0.67 point.

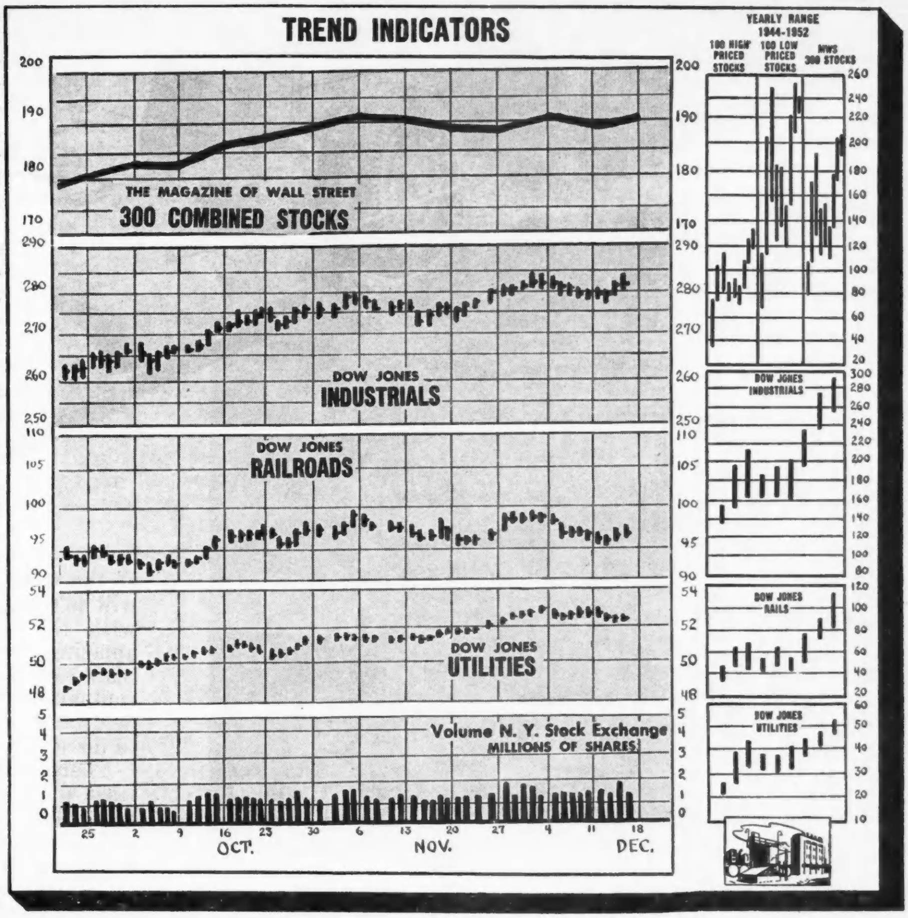
Rails continued to lag. This should surprise nobody, since the trends of traffic and earnings are somewhat, although not sharply, adverse; and there is no cushion in EPT lapse, as there is for a fair number of industrial companies. Rally in rails in recent trading sessions left the average down a little on the fortnight, and the better part of 2 point under its December 1 intermediate-recovery high. That may not seem like much, but the whole range of this often volatile average since its September low was recorded has been only 8.35 points to date. Last week's close was about 7% above the September low, and represented a recovery of less than a third of the maximum period decline from the bull-market high recorded nearly a year ago, compared with a similarly measured recovery of about 73% for the industrial average. As noted before, the latter is largely "minority performance" by a restricted number of popular industrials. Thus, our broad weekly index of 300 stocks stands at a level representing recovery of only some 40% of its maximum prior decline.



Utilities And The Bond Market

Following prior weeks of persistent improvement in their usual unspectacular way, utilities have been in a consolidation phase, since attainment of a December 4 recovery high of 53.01, representing recovery of nearly 85% of their maximum prior 1953 decline. At the end of last week the average stood only 0.043 point under its early-December high; and 1.30 points under the bull-market high of last March. The prospect for utility volume and net income is

definitely favorable; but this translates into only a fairly modest upward tendency in per-share earnings and dividends because of diluting effect through continuing flotation of additional shares to cover part of expansion outlays.



Now on an average yield basis of approximately 5.25%, against about 5.75% at their market low of last June, the adjustment in utility yields has paralleled that in high-grade bond yields and been roughly proportionate to it. The bond market reached a temporary high in the forepart of November, following a rise since June rated as spectacular by the standards of this market; eased a little into early December, and has since been firming up again. It now stands a little under the November high. It is probably a sound conclusion that the prospect is for a firm-to-moderately higher bond market, that the same generalization applies to the utility equity market – but that both probably have already had more advance, perhaps considerably more, than lies ahead. Hence, utilities should be bought, as is usually the case, primarily for secure yields. Excepting a minority of growth issues, or other special-situation issues, appreciation potentials in this section of the market appear moderately restricted, figured from the present level.

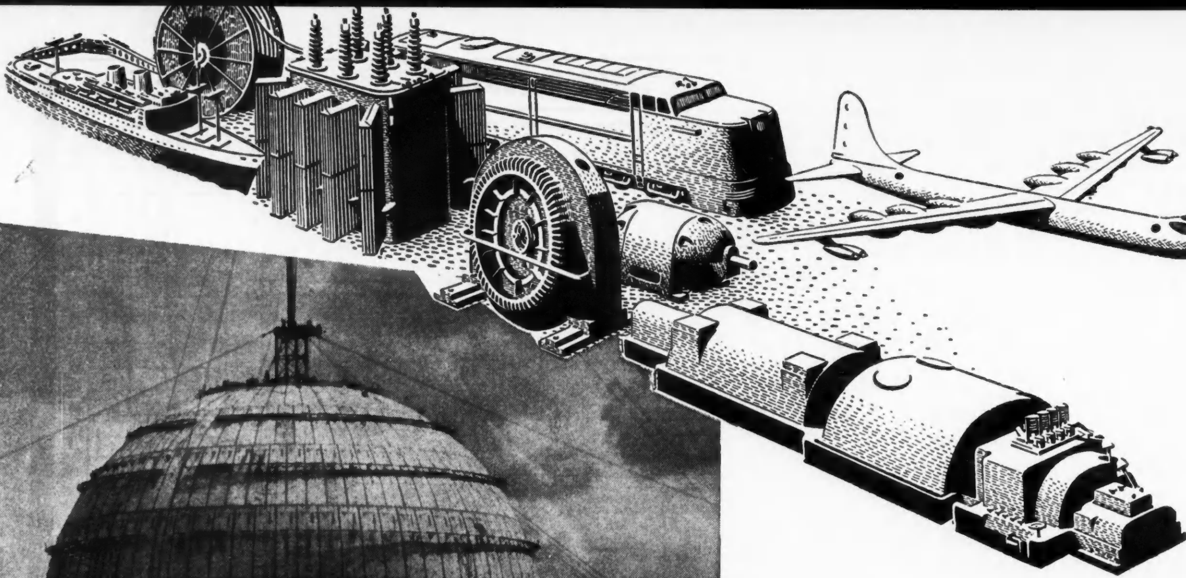
As regards near-term possibilities for the general market, the following considerations may be pertinent: (1) The substantial scope of the upswing since September has necessarily weakened the technical position to some extent, suggesting a below-average potential in seasonal year-end upward tendencies. (2) Many stocks which have risen sharply since September may well be under pressure from profit taking in the forepart of January, perhaps immediately after the turn of the year, since for stock-profit purposes lower taxes become effective with the trading session of January 4. (3) On the other hand, rallies should develop in many depressed stocks which have been under November-December tax-selling pressure. Hence, the Dow industrial average might for a time fare worse than the rank-and-file of the market, reversing the recent pattern. If amounting to anything, rallies in recent tax-sale victims should give some lift especially to our weekly index of 100 low-priced stocks, making up a third of the composite weekly index.

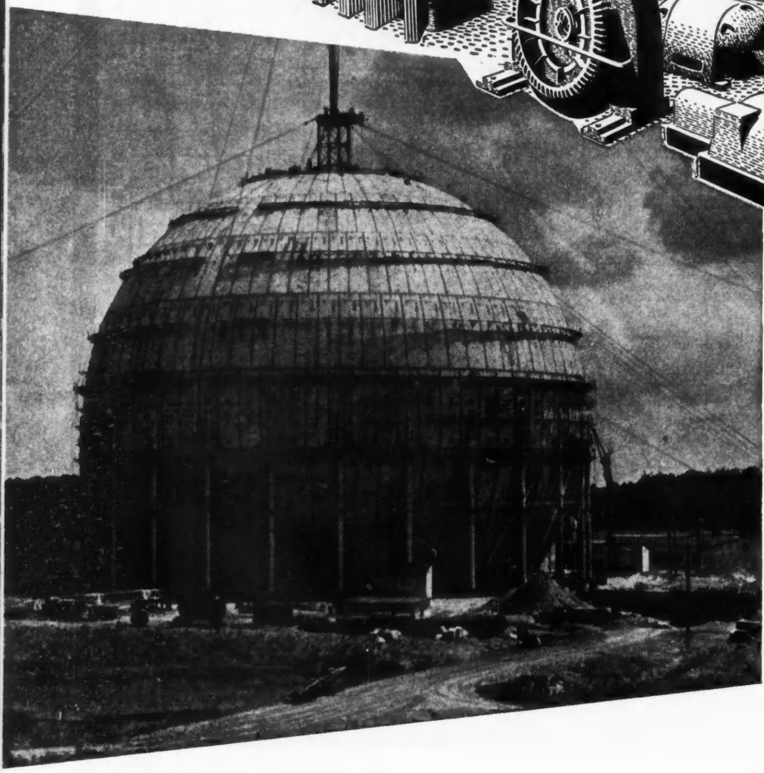
Basic Factors Still Mixed

The supporting and restraining considerations influencing investment sentiment remain fairly closely balanced. That has long been so, which accounts for the limited up and down swings in average stock prices over the last two years. It is probably still so, at least from a medium-term viewpoint. If that is correct, this three-month rise cannot reasonably be expected to go importantly further, and can be expected to be followed by a downswing within at least trading-range proportions, perhaps, if not probably, within the first 1954 quarter.

Foremost on the supporting side are a generally satisfactory outlook for dividends as far ahead as can now be seen; a comparatively attractive level of current dividend yields in relation to present and prospective bond yields; and imminent tax relief. Price-earnings ratios are probably fairly moderate on the basis of 1954 profits, although the degree of shrinkage therein is a guess-estimate and cannot be otherwise. Most such estimates range from total-profit shrinkage of 10% to 20%. The big uncertainty, outside of foreign contingencies, is, of course: how much business recession ahead?

Among economists, leading industrialists and other so-called qualified observers, very few expect a 1954 production shrinkage of more than 10% or less than 5%. Although not always wrong, a popular consensus is more likely to err than not. So the chances are that production either will decline materially more than 10% in 1954 or make a surprisingly strong showing. The answer will be some time in shaping up—both as to how much recession in 1954 and whether it will *(Please turn to page 408)*





A New Age of . . . .
Industrial Dynamism Through Atomic Power

By McLELLAN SMITH

President Eisenhower's historic address to the United Nations not only served to warn the world of the dimensions of the calamity that would be brought on by atomic warfare but also may be said to have ushered in officially the beginnings of a new age in the peace-time use of this new source of power. Behind the President's magnanimous gesture was the practical consideration that the Soviets are already preparing to enter the field of industrial use for atomic energy, a race in which we must at all costs be prepared to maintain our supremacy. For there can be no doubt that the economic face of the world in the not distant future will be transformed by the atom. Along with this transformation will come amazing changes in the operations and plans of American industry. Many companies have already entered this field and many others are planning to do so.

There can be no doubt that the release of this great new revolutionary force will have profound effects upon our economic organization and that some industries may eventually disappear as they are displaced by others still undreamed of. It will involve enormous problems related to international trade, financing of new industries and the obsolescence of plants as new methods of manufacture and new techniques are adopted in response to this new power. This development is now being greatly speeded up as the industrial world commences to realize its implications.

Big-scale preparations for harnessing the atom to the wheels of industry are in the making—even well advanced. In fact, preparations have been "in the mill" since shortly after V-J Day, but it was only recently that the general public became aware that the Atomic Energy Commission—in co-operation with private industry—has definite plans for the industrial use of atomic energy.

Government funds and private funds are now being made available for peace-time development of

The huge sphere depicted above is part of the facilities operated by the General Electric Co. at Schenectady for the Atomic Energy Commission. As high as an 18-story building, it will house the proto-type of an atomic power plant for U.S. Navy submarines.

atomic energy and while the amount now expended privately is small in comparison with the government, it is starting to swell and eventually will become a torrent. In one vital field, it has already become a certainty, that is in the use of atomic energy for electric power.

New Developments

Two recent announcements—one by Ralph J. Cordiner, president of the General Electric Company, the other by Atomic Energy Commissioner Thomas E. Murray—herald an approaching new age in World History that will be known as "The Atomic Age." It will dwarf the preceding ages, Stone, Bronze, Iron —which have marked mankind's industrial and economic progress over the past 100 centuries. The new age will move at a swifter pace and its repercussions will far surpass those which followed the invention of gun powder and printing by movable type. Of a certainty, industrial use of the atom will be for the betterment of mankind, rather than for humanity's destruction as would be the outlook with atomic energy used solely for War.

In mid-October, Mr. Cordiner announced that General Electric, the Atomic Energy Commission's largest reactor operator, had offered to build an industrial atomic power reactor at Hanford, Washington, if the Federal Government paid the entire bill, estimated to run into tens of millions of dollars. In view of the present state of atomic reactor technology and tight Federal controls over fissionable materials, it would not be possible at the present for a private company to spend any such sums though prominent scientists and engineers see industrial use of the atom as a relatively near accomplishment. But in the future these sums will be made available through the issue of new corporate securities.

In the Ohio valley, a new uranium diffusion center to produce U-235 is in process. The private utility companies are coming into this picture. Fifteen companies joining in the Ohio Valley Electric Corp. to supply the enormous amounts of power required by this development. They are financing this with $440 million obtained from insurance companies, pension funds and banks.

A week after the GE offer, Commissioner Murray announced the AEC has embarked on a program to construct a full-scale power reactor with a minimum generative capacity of 60,000 kilowatts, with possibilities of a much higher output. He did not give any cost data, but said the Commission hoped to have the reactor in operation in "three to four years." It will probably be built by Westinghouse, which has worked closely with the Commission for some years.

The Murray announcement was incorporated in an address to a group of electric companies executives. He said that although many competent scientists and engineers had suggested delay until there could be more certainty that the power produced would compete in cost with conventional power, the AEC had decided to go ahead with a power producing unit designed according to technology known now, "or within reasonable reach of the engineers' grasp."

Just what this first plant will cost is problematical. The writer has heard, from many reliable sources, that it will cost anywhere from $60 million to $100 million. Even the lesser figure would denote a capital investment of $1,000 per kilowatt of generative capacity, while $350 per kilowatt is about the top sum which can be invested and assure a power generating operation that will be economically sound and yield a fair return on invested capital. Obviously, this is only the first step. Costs will be reduced with succeeding investments.

For example, according to Detroit Edison computations, it is possible to create 250 times as much energy from processed uranium as from an equivalent amount of coal at probably one sixtieth of the cost.

Cost of atomic power presently may seem a barrier to its development, but the writer would point out that cost has never been a serious roadblock to American skill and ingenuity. Constant research has always conquered cost; witness the Model T Ford automobile, the "Tin Lizzie" of by-gone years. It entered the market in 1908 at $850 for the standard touring car, and left the market 19 years later at $380, a far superior vehicle to the first one.

The Ford price slid downward because of engineering research which cut production costs. Thus we see engineering skills and research slashing production costs. This highlights the power of applied research and points up that prospects are good that atomic power will be economically feasible.

Atomic Energy, Coal and Oil

At this point, let's probe the need for atomic power research and development at a time when we have vast coal reserves, great pools of oil and natural gas, and mighty rivers not yet harnessed to electric generators. The best answer was given by J. Carlton Ward, Jr., president of the Vitro Corporation of America, in a statement he filed earlier this year with the Joint Congressional Committee on Atomic Energy. Mr. Ward said:

"In my opinion, the outstanding factors which make necessary the industrial development and establishment of atomic power are two in number. First is the need for obtaining new and increased

World Reserves Fossil Fuel and Nuclear Energy

Fuel	World Reserves
Crude Oil	610 Billion Barrels
Natural Gasoline	11.5 Billion Barrels
Shale Oil	620 Billion Barrels
Natural Gas	560 Trillion Cubic Feet
Coal	3482 Billion Tons
Uranium	25 Million Tons
Thorium	1 Million Tons

Coal and Electricity Equivalents of Energy from 100 lbs. Uranium

Non-Regenerative	Converter	Breeder
455 Tons Coal	1,300 Tons Coal	130,000 Tons Coal
910,000 KWHR	2,600,000 KWHR	260,000,000 KWHR
7 Mills Per KWHR	1.3 Mills Per KWHR	0.013 Mills Per KWHR

sources of power to sustain our constantly increasing industrial economy; and second is the necessity for finding, without delay, means of reducing the accelerated depletion of our natural resources.

"We have been constantly depleting our oil, gas, and coal for many years. Geologists, who have been concerned with these natural resources, have made estimates which show that, allowing for undiscovered fuel beds in the Polar regions and under the seas, approximately one-sixteenth of our total resources, including other undiscovered areas, have been consumed since the invention of the steam engine over 200 years ago."

The bulk of this depletion of natural resources has occurred in very recent years, and the consumption of these resources increases at a rate which many experts describe as "alarming."

As our standard of living moves up one step, our consumption of power increases two paces. In our highly civilized economy, the production of goods is a power-consuming process. The power demand of our expanding economy has been approximately doubling every 10 years. In 1950 it was eight times the 1920 level. Pursuing this formula, it would indicate that our present power consumption will be multiplied by eight in three more decades. A staggering idea when you consider that we could not treble our present hydroelectric output should we harness every river basin in the country.

Meanwhile, we have reached the point where mining of coal is costly to the point that users of coal are daily turning to gas and oil to rapidly accelerate their depletion. At this time, competent geologists say our known reserves of oil and gas are no match for the demands of the next 25 years. Thus, we see the industrial development of atomic energy as a pressing necessity instead of a scientific-engineering venture of doubtful value. Undoubtedly, coal remains vulnerable to atomic energy development and in the more distant future oil itself.

The need for atomic power even as soon as within the next decade is now quite evident. This immediately poses the question: What possibilities present themselves for exploitation of atomic energy by our economic system? There would seem to be two. First, and perhaps the most preferable, would be encouragement of the many private industrial organizations that have evinced a desire through use of their own resources—technical and financial—in making atomic studies, to attempt the construction of privately financed and operated power reactors. Two things stand in the way—the Atomic Energy Act of 1946, which gives the Federal Government monopolistic control of fissionable elements, and the admitted high cost of development and research.

It is perhaps feasible and within the limits of military security to relax some of the Government controls of fissionable elements. To do this, we must have an amendment to the Atomic Energy Act of 1946, and at the same time there must be some provision for Federal financial aid in the construction of the earlier power reactors. And, there might be need for Federal subsidies as the early atomic units fail to produce electric energy at costs competitive with conventional coal, gas, oil and hydro systems.

The alternative to Federally assisted private research, development, and

Leading Companies Active in Atomic Power Development

COMPANIES OPERATING PLANTS FOR ATOMIC ENERGY COMMISSION:

Company	Type of Plant
American Tel. & Tel.	Jointly with Bell Telephone Laboratories, Western Electric, a subsidiary, operates the Sandia Laboratory which is concerned with military applications of atomic energy.
duPont de Nemours (E. I.)	Has designed, is building, and will operate the huge Savannah River atomic energy plant.
General Electric	Operates the Hanford Works producing plutonium; the Knolls Laboratory, and the Aircraft Nuclear Propulsion Project.
Goodyear Tire & Rubber	Upon completion, will operate the large Pike County, Ohio, uranium-235 production plant.
Phillips Petroleum	Operates the Arco, Idaho, reactor test plant.
Union Carbide & Carbon	Operates the gaseous diffusion plant at Oak Ridge, and will operate, upon completion, a similar plant at Paducah, Ky.

COMPANIES ENGAGED IN RESEARCH IN FIELD OF ATOMIC POWER PLANTS:

Company	Nature of Activity
Commonwealth Edison	Conducting studies in application of nuclear energy to production of electric power.
Detroit Edison	In conjunction with Dow Chemical is studying application of nuclear energy to industrial uses.
Dow Chemical	Reference is made to Detroit Edison.
Monsanto Chemical	Jointly with Union Electric Co. of Missouri has applied its experiments to designing an atomic reactor for the simultaneous production of plutonium and electric power.
Pacific Gas & Electric	Conducting research in the possible use of atomic energy for industrial power production.
Union Electric of Missouri	Reference is made to Monsanto Chemical.
Westinghouse Electric	Research in atomic power generation and other atomic potentials. Building nuclear energy propulsion units for submarines.

COMPANIES PRODUCING OR PROCESSING URANIUM AND OTHER RAW ATOMIC MATERIALS:

Company	Product or Process
American Cyanamid	Chemical processing of uranium concentrates.
American Smelting & Ref.	Producing and refining uranium and rare earth ores.
Anaconda Copper	Producing and refining uranium and rare earth ores.
Atchison, Topeka & Santa Fe Ry.	Discovery of uranium-bearing ores on land to which a subsidiary owns mineral rights.
Climax Molybdenum	Mining and refining of uranium and rare earth ores.

operation, would be for the Government to undertake the entire job itself, using the services of a private contractor for design and construction of the initial plant. Apparently, this is the course the AEC now has in mind. This would seem to be borne out by present tentative plans to have Westinghouse build the 60,000 kilowatt plant. Perhaps, for security reasons and yet undetermined cost factors, it is the logical course, but past successful economic experience in other areas has shown the principle of private competitive efforts superior to Government-sponsored development.

Reverting to the GE offer, Mr. Cordiner made a salient point for private development of atomic energy for industrial use when he said the company would learn much about reduction of costs of operating present Federal atomic plants, and will obtain answers which are sure to be of "the greatest value to the electric utility industry." And, at this time, it looks as though the generation of electricity will be the atom's greatest role in the industrial drama to unfold.

New Fields of Activity

In the meantime, the atom as we now know it, is playing important roles in the fields of agriculture, medicine, chemistry, photography and others too numerous to mention here. Experimentation and research is underway in scores of universities and private laboratories across the land, all of it under contract with the Atomic Energy Commission which has assigned the various contractors specific tasks. Some of the universities and private organizations have been active since before the A-bomb became a terrible reality, others have been drawn into this greatest of all research programs at later dates. All of them are searching for new uses of a force heretofore known theoretically rather than factually.

There is no need here to list the educational institutions doing atomic energy research, but private corporations so engaged are herewith listed as of great interest to the readers of this magazine. The roster while comprehensive, is not necessarily complete—new companies coming into the atomic picture, almost daily. The compilation is shown on this and the adjoining page.

Detailed information on what these companies are doing in the field of atomic research are not available, perhaps for security reasons. Although their findings are properties of the Atomic Energy Commission, their research efforts will give them atomic knowledge which will prove of inestimable value in the time ahead when the Atomic Energy Act is amended in such fashion as to give private enterprise a more active role in the development of nuclear energy for industrial use.

It would not, however, violate security regulations to tell of some of the things atomic research is now doing to help industry do a better job for itself and for the customers of industry.

Prospecting for oil with Geiger counters has been successful in some areas, and may indicate a more economical means of locating oil in the Earth's crust, thus reducing the cost of petroleum exploration. Other applications of atomic knowledge make it possible to measure the wear on fire brick in a steel furnace, study the wear of automotive gears and pistons, determine the (*Please turn to page* 402)

Leading Companies Active in Atomic Power Development (Continued)

COMPANIES PRODUCING OR PROCESSING URANIUM AND OTHER RAW ATOMIC MATERIALS: *(Continued)*

Company	Product or Process
International Minerals & Chem.	Mining and refining of uranium and rare earth ores.
Molybdenum Corp.	Mining and refining of uranium and rare earth ores.
National Lead	Chemical processing of uranium concentrates.
Union Carbide & Carbon	Subsidiary, U. S. Vanadium, owns a number of uranium mines located in the Colorado Plateau, the second largest source of uranium in the world today.
Vanadium Corp.	Considered one of the largest producers of uranium ore.

COMPANIES ENGAGED IN OTHER PHASES OF ATOMIC ENERGY WORK:

Company	Nature of Activity
Abbott Laboratories	Research in the processing of radioisotopes.
Bendix Aviation	Nuclear instrumentation.
Corning Glass Works	Manufacture of equipment of atomic energy plants.
Foster Wheeler	Designing and engineering atomic energy plants and equipment.
General Dynamics	Constructing nuclear energy propelled submarines.
Minneapolis-Honeywell	Controls and other instrumentation for various projects operating under the Atomic Energy Commission.
Pittsburgh Plate Glass	With other companies has developed special glass for use in atomic equipment.
Standard Oil of California	Under contract to Atomic Energy Commission to conduct research and development work in certain phases of atomic energy.
Sylvania Electric Products	Under contract to Atomic Energy Commission for the advanced development of new types of reactor components.
Tennessee Corp.	In cooperation with Atomic Energy Commission has operated a pilot plant to recover uranium from phosphoric acid.

OTHER COMPANIES IDENTIFIED WITH ATOMIC ENERGY RESEARCH OR MANUFACTURE OF EQUIPMENT AND OTHER PRODUCTS:

Allied Chemical & Dye Corp.	International Business Machines
Allis-Chalmers Manufacturing Co.	Link-Belt Co.
American Locomotive Co.	Mathieson Chemical Corp.
Babcock & Wilcox	Parke, Davis & Co.
Blaw-Knox Co.	Pullman, Inc.
Boeing Airplane Co.	Rohm & Haas
Consolidated Vultee Aircraft	Shell Oil Co.
Eastman-Kodak Co.	Sinclair Oil Corp.
Fairchild Engine & Airplane	Socony-Vacuum Oil Co.
General Motors Corp.	Standard Oil of New Jersey
Goodrich (B. F.) Co.)	United Aircraft Corp.
Gulf Oil Corp.	United States Rubber Co.

(For want of space, we have been unable to include a number of other companies engaged in various phases of atomic energy.)

What Next After Guaranteed Wages?

By THOMAS L. GODEY

When the Congress of Industrial Organizations announced that its next major objective is the guaranteed annual wage, it was serving notice on the American people and the world that it had abandoned the system of free enterprise which had built the nation and gone over to the theory of socialistic economy which is so near Communism as to be scarcely distinguishable. For many months, the CIO had been preparing for this move and at its 15th annual convention, held at Cleveland last month, adopted a formal resolution asserting that "the time is ripe" for affirmative action. The resolution declared: "World necessities drive the nation to maintain full production and corporations, unions and government alike are at a stage where our demand can be realized."

The statement is made that the CIO crusade for the guaranteed wage must be regarded as an adoption of an alien system of economy because it has been undertaken in the face of overwhelming evidence challenging the validity of the scheme, unless one fully accepts the socialistic view. In 1947 a select committee set up by the Office of War Mobilization and Reconversion, a committee of which Philip Murray, President of the CIO and Willian Green, President of the American Federation of Labor, were members, found that "the guaranteed wage is a significant but not all-sufficient tool which may be employed in building national economic security and stability."

This committee very pointedly declined to recommend legislation looking toward a guaranteed wage. The furthest it went was to say that the matter should be subjected to continuing study. Here was a committee, created in the wholly pro-labor Truman Administration, which failed to find enough strength in the idea of a guaranteed wage to accord it the type of support that Administration had been according almost everything else organized labor had proposed!

The select committee of the Office of War Mobilization and Reconversion spent more than $250,000 on its study and report. Even in these times, such a sum buys about all the information there is available on any subject. It must, therefore, be granted that the evidence does not support the theory of a guaranteed wage, annual or even for shorter periods.

Yet Walter Reuther, President of the CIO and head of the guaranteed wage crusade insists that the guaranteed wage can and should be adopted.

Who Guarantees the Guarantee?

The George A. Hormel Company, meat packers, has for many years been operating under a guaranteed annual wage which has been so conspicuously successful that the phenomenon constantly is cited by labor as proof that a like plan could be extended to the entire labor force. First, it must be stated that the Hormel Company is a relatively small company, that it produces widely advertised specialities, that it has created a somewhat special market and is extraordinarily self-contained as an industrial operation. Its production is almost continuous.

And yet Jay C. Hormel, Chairman of the Board of this admittedly ideal company so far as operation of a guaranteed annual wage is concerned, says: "Certainly our company is wholly unable to redeem the money consideration in such a guarantee unless we keep our people actually and profitably employed. The entire asset value of our company, cashing everything we own, would only be sufficient

to redeem a ten months' guarantee. If we, as a company, cannot make such a guarantee, neither can our community, for we know that in our town all of the bank assets including county deposits, city deposits, all the money owned by all of us, would only cover the payroll for nine months. So, when using the phrase 'guaranteed annual wage' we must ask the question–guaranteed by what? The only guarantee we know of is the ability of management to manage coupled with willingness of workers to work. If either fails, then the guarantee fails!"

It would be difficult to find a more eloquent proof that the CIO crusade or any other effort to obtain the guaranteed annual wage is an affirmation of eagerness to espouse nationalization of all industry. It is admitted by every student that the Hormel Company has the most favorable circumstances for meeting a guaranteed wage. Yet the head of this company says the plan is wholly dependent upon the utmost cooperation between management and labor. Mr. Reuther and other supporters are aware of all these facts. They know that a few almost utopian examples are exceptions and do not represent any conceivable national picture. And yet the strongest possible pressure is brought in insistence upon the guaranteed annual wage. "The time is ripe," says the CIO in the face of all the evidence. But one conclusion is possible!

Directly in the face of these known facts–as well known to the CIO economists as to anyone else—the convention resolution proceeded: "We urge all those interested in full employment and full production to join in supporting our efforts for guaranteed wages. Our demands are not only practical but they will be an important lever for assuring the continued economic progress of our country and our democratic allies."

(It is the widely publicized ambition of Soviet Russia and Communists everywhere in the world to send the economy of the United States down the steep road of bankruptcy at the earliest practicable date!)

Like a general and his staff preparing for a great campaign, Walter Reuther, his assistants and affiliated unions have been doing all possible to arrange the ground for the guaranteed wage crusade. Early this month there was a meeting of a thousand delegates of Reuther's own union, the United Automobile Workers, at Washingtotn, the avowed purpose of which was to take measures against what was loudly proclaimed to be an unemployment emergency. The fact that employment is almost at a record peak with the average weekly factory pay standing at $71.02, a definite record for the season and with innumerable other favorable labor factors in the picture, apparently meant nothing whatever in CIO calculations. It is a part of the program to warn of unemployment, to lament over low wages and lack of security and, of course, that program must be adhered to!

It will be noted that an important and impressive figure is absent from this entire picture. It is the American Federation of Labor. That huge labor organization presumably is as concerned with labor welfare as the CIO or any other group but its leaders—having in hand the same data in the possession of the CIO–have shown not the slightest inclination to follow after the siren of a guaranteed annual wage. Nor have other large independent labor groups joined in the Reuther crusade. John L. Lewis' United Mineworkers are missing.

Moreover, this new campaign must be attributed practically to Walter Reuther alone in that he has imposed the idea on the CIO rather than represented a previous CIO policy. For in 1940 Philip Murray, his predecessor as head of the organization, said of the guaranteed wage: "Pioneers in this difficult field deserve great commendation but not too much should be expected from their efforts. Experience to date raises doubt as to (*Please turn to page* 400)

Basic Trend of Employment

SOME INDUSTRIES THAT HAVE HAD INCREASED EMPLOYMENT:

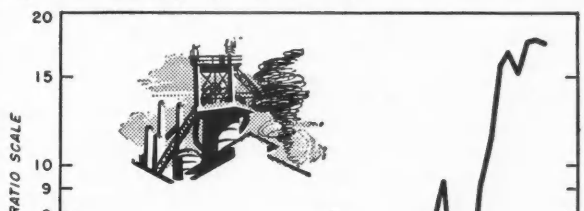
	1952 Employment as Percent of 1947 Employment
Aircraft engines and parts	268.9
Communication equipment	138.3
Engines and turbines	113.2
Fabricated structural metal products	122.8
Household furniture	105.4
Industrial organic chemicals	114.1
Meat products	112.5
Pulp, paper and paperboard mills	110.0

SOME INDUSTRIES THAT HAVE EMPLOYED FEWER WORKERS:

	1952 Employment as Percent of 1947 Employment
Broad-woven fabric mills	85.4
Canning and preserving	91.4
Cigars	84.6
Leather: tanning, currying and finishing	83.5
Men's and boys' suits and coats	87.6
Railroad equipment	93.1
Sawmills and planing mills	93.0
Tires and inner tubes	87.7

TOTAL EQUIPMENT EXPENDITURES

The great rise in manufacturing and business equipment expenditures has been stimulated in recent years by the ever-growing need for labor-saving devices, which in turn has been generated by the increasingly high cost of labor.



U. S. DEPARTMENT OF COMMERCE. OFFICE OF BUSINESS ECONOMICS

Who-When-What

-Pointers on Buying High-grade Low Yield Stocks

★ ★ ★

By WARD GATES

The stock market is like a huge merchandise mart. While it is open to all comers who have money to invest, the buyer (investor) should be careful to select those goods (securities) which best suit his purse and needs. What will suit one investor will not suit another. In the final analysis, it all boils down to knowing precisely what one's financial standing is and what type of investments fit in most effectively with this background.

In investing, it is a question of *Who* as well as *When* and *What*. Of the three interrogatives, the first and third are the most important as this article will attempt to show. We are mostly concerned, therefore, with *Who* shall buy *What*. If we were to be even more precise, we should say that there is also a *How*, but this refers to a special technique which we will explain later.

Since the study of investments is vast and complex, we are going to limit this discussion to only one category of investment—the high-grade low yield stock—in order to see *Who* should buy this class of security and under what conditions. In principle, all investors should buy high-grade stocks but, in practice, it will be found that the larger investors dominate the field. The answer revolves around the word: Taxes.

The Tax Angle

Because of high income taxes, wealthier individuals do not care to buy stocks with substantial yields. For example, an investor with an income of $20,000 a year (from business, profession, and/or securities) pays a sliding rate of tax starting with 62% on each additional $1,000 of income. If he is "unlucky" enough to have an income of around $40,000 a year, he will pay a 72% rate on each additional thousand dollars of income. (Next year he will pay less but in this income category, the tax cut on January 1 will make little difference.) From these simple examples, it is easy to see why high yields are not sought after by individuals in the upper income brackets.

Individuals with small incomes view the problem differently. An investor with an income of $6,000 a year pays a 34% on an additional thousand dollars of income and his rate will go up to 38% when his income reaches $10,000. While this also represents a fair slice of income, the squeeze on this class of investor, obviously, is far less than in the case of the wealthier individual. Consequently, a fairly good return on capital is sought by smaller investors in distinction to the preference of larger investors for low yields.

This all comes down to one simple fact: high yields are not as profitable to the larger investors as they are to the smaller. For that reason, those with substantial incomes, and under modern conditions in the stock market, normally seek an outlet for their funds in high-grade low yield stocks. In these cases, the sacrifice of income is compensated for by the enhanced opportunity for growth which is the normal attribute of this type of security. Actually, the sacrifice of income is nominal owing to the impact of the tax bite in the upper income brackets. An investor with an income of $20,000 annually, investing $10,000 to secure a 6% return, and bringing $600 a year, has only $228 left after paying his 62% tax. If he has an income of $40,000, the return of $600 is reduced to only $168 a year after he pays his 72% tax.

Such low net yields are certainly not conducive to much satisfaction to the large investor. In fact, this investor would be better off in investing in tax-exempts except that he would thereby be sacrificing a readily available opportunity for long-term appreciation in "growth" stocks. Since the typical high-grade "growth" stock normally offers a small current cash return, investors who find this field of investment suitable accomplish two purposes through this means: (1) avoidance of the meaningless—in this case—purchase of stocks for high yields on which

excessive taxes must be paid and (2) acquisition, instead, of issues which provide definite potentials for capital appreciation.

There is no reason, of course, why the smaller investor should not also seek such potentials. In his case, however, some income must be sacrificed in the purchase of low yield stock. If the amount of current income is an important consideration, as it is likely to be in this case, the objective of long-term growth is necessarily subordinated. It is for this reason that the superior type of stock is ordinarily not to be found too well represented in the portfolio of the average small investor. This is perhaps not the way it should be but we are not concerned here with ideal conditions but with the facts as they are.

It has been established that the *Who* in the *Who-When-What*, so far as it concerns investment in the best grade stocks, is the investor in the upper income brackets.

What Class of Stock?

We can now turn to the *What*. We have learned, in a general way, that the type of security which appeals to the upper-bracket investor is the "growth" stock. This, however, (*Please turn to page* 398)

"Dollar Averaging" in Leading Stocks 1951-1953

EXPLANATORY NOTE: *This chart illustrates the process of systematic investing in the highest-grade stocks according to the method of "dollar averaging." It assumes investment in an equal number of shares, twice a year; the first lot purchased at or near the highs, and the second lot at a "mean" average between the high and the average price for the year. We have selected these prices as being a more realistic approximation of the actual experience of investors who normally will be making their investments nearer the higher than the lower prices of the year. Even under this handicap, it will be noticed that the results are generally profitable under "dollar averaging" provided this method is used in accumulating only the strongest stocks.*

1951		1952		1953		
ALUMINUM CO. OF AMERICA Price Range* 44-33 Div. Paid $1.37 Avg. Yield 3.3%	Avg. Cost if Purchased in 2 equal Lots: (A) At High 44 (B) At Mean Avg. 38½ Average Cost for Year 41¼	Price Range* 49-36 Div. Paid $1.50 Avg. Yield 3.3%	Avg. Cost if Purchased in 2 equal Lots: (A) At High 49 (B) At Mean Avg. 42½ Average Cost for Year 45¾	Price Range* 57-42 Div. Paid $1.57 Avg. Yield 2.9%	Avg. Cost if Purchased in 2 equal Lots: (A) At High 57 (B) At Mean Avg. 49½ Average Cost for Year 53¼	Avg. Price 1951 To-Date** 46¾ Recent Price 56¾ Profit or Loss +10 1953 Div. $1.57 Yield Based On Avg. Price 3.3%
AMERICAN CAN CO. Price Range* 29-23 Div. Paid $1.25 Avg. Yield 4.5%	(A) At High 29 (B) At Mean Avg. 26 Average Cost for Year 27½	Price Range* 36-28 Div. Paid $1.26 Avg. Yield 3.7%	(A) At High 36 (B) At Mean Avg. 32 Average Cost for Year 34	Price Range* 40-31 Div. Paid $1.40 Avg. Yield 3.7%	(A) At High 40 (B) At Mean Avg. 35½ Average Cost for Year 37¾	Avg. Price 1951 To-Date** 33 Recent Price 39 Profit or Loss +6 1953 Div. $1.40 Yield Based On Avg. Price 4.2%
DU PONT Price Range* 102-82 Div. Paid $3.55 Avg. Yield 3.6%	(A) At High 102 (B) At Mean Avg. 92 Average Cost for Year 97	Price Range* 97-79 Div. Paid $3.55 Avg. Yield 3.8%	(A) At High 97 (B) At Mean Avg. 88 Average Cost for Year 92½	Price Range* 108-91 Div. Paid $3.80 Avg. Yield 3.6%	(A) High 108 (B) At Mean Avg. 99½ Average Cost for Year 103¾	Avg. Price 1951 To-Date** 97¾ Recent Price 106 Profit or Loss +8¼ 1953 Div. $3.80 Yield Based On Avg. Price 3.8%
GENERAL ELECTRIC Price Range* 63-49 Div. Paid $2.85 Avg. Yield 4.8%	(A) At High 63 (B) At Mean Avg. 56 Average Cost for Year 59½	Price Range* 72-54 Div. Paid $3.00 Avg. Yield 4.4%	(A) At High 72 (B) At Mean Avg. 63 Average Cost for Year 67½	Price Range* 92-66 Div. Paid $4.00 Avg. Yield 4.6%	(A) At High 92 (B) At Mean Avg. 79 Average Cost for Year 85½	Avg. Price 1951 To-Date** 70¾ Recent Price 89 Profit or Loss +19¾ 1953 Div. $4.00 Yield Based On Avg. Price 5.6%
STANDARD OIL OF NEW JERSEY Price Range* 75-45 Div. Paid $4.12 Avg. Yield 6.1%	(A) At High 75 (B) At Mean Avg. 60 Average Cost for Year 67½	Price Range* 85-72 Div. Paid $4.25 Avg. Yield 5.2%	(A) At High 85 (B) At Mean Avg. 78½ Average Cost for Year 81¾	Pirce Range* 78-67 Div. Paid $4.50 Avg. Yield 5.9%	(A) At High 78 (B) At Mean Avg. 72½ Average Cost for Year 75¼	Avg. Price 1951 To-Date** 74¾ Recent Price 73 Profit or Loss —1¾ 1953 Div. $4.50 Yield Based On Avg. Price 6.0%
UNION CARBIDE & CARBON Price Range* 66-53 Div. Paid $2.50 Avg. Yield 4.0%	(A) At High 66 (B) At Mean Avg. 59½ Average Cost for Year 62¾	Price Range* 72-57 Div. Paid $2.50 Avg. Yield 3.6%	(A) At High 72 (B) At Mean Avg. 64½ Average Cost for Year 68¼	Price Range* 72-61 Div. Paid $2.50 Avg. Yield 3.6%	(A) At High 72 (B) At Mean Avg. 66½ Average Cost for Year 69¼	Avg. Price 1951 To-Date** 66¾ Recent Price 72 Profit or Loss +5¼ 1953 Div. $2.50 Yield Based On Avg. Price 3.7%

*—All fractions omitted. **—To December 16, 1953.

PRUNING FOREIGN AID

By "VERITAS"

INVESTIGATION of insurance-by-mail practices, by a senate committee, may lead to other probes into the growing systems of merchandising via the post offices. In the insurance cases some questionable activities have been brought out into the open. None could be happier about that than the long-established insurance companies which have been suffering from a propensity on the part of the public to reduce their opinion of business ethics to the lowest common denominator when a minute fraction of firms in a given field go astray. Old-time mail order supply houses have nothing to fear from the detour the investigation will make. They aren't the targets; it's the "specialty" distributors who will receive major attention.

WASHINGTON SEES

Writing and telegraphing to the White House can hardly be put down as effective means of exercising the constitutional right of petition but the practice goes on unabated, the most recent instance being the thousands of messages addressed to President Eisenhower to protest, or praise, the nation's foreign policy.

If Ike actually read a dozen of the communications it would be surprising. Obviously he didn't count them, took his staff's word as to the total, for and against. Of course the authenticity of signatures wasn't checked and the contents went un-noticed beyond the point where a reading clerk must look to decide which stack each joined.

Assuming Senator McCarthy was correct and more than 10,000 messages were inspired, the total hardly would awe the clerks who handled them. On a "slow day" at the Executive Mansion, 4,000 letters and wires are received. FDR received 33,000 letters (each inclosing a contribution) on his first appeal for the March of Dimes; within two weeks after President Truman took the Pacific command from General MacArthur, the White House received 90,000 protesting letters and telegrams—but the firing stuck; in excess of 200,000 pleas for clemency for the atomic spying Rosenbergs were delivered to the President—but the Rosenbergs were put to death; passage of the Taft-Hartley Act in 1947 swelled the mail (most of it complaint) between 20,000 and 30,000 pieces daily, but the law is still on the books; movie theater operators caused 1,000 telegrams to reach Ike weekly, asking that he sign the admission excise tax repealer, but he vetoed it. The above, and many other instances invoke the question: Does it pay off?

DEMANDS for public ownership of the District of Columbia street car and bus systems are pouring in on the Public Utilities Commission and members of congress may establish—as they can if they wish to do so—a proving ground for another test of private vs. public ownership. The system now is owned by a group of which Louis Wolfson is board chairman. Increased fares, poorer service, and larger dividends since the switch in control, is the aggregate of customers' complaint. Wolfson and his associates have large business interests in other parts of the country. The committee is seeking to learn the "pattern of performance."

CONFUSION and bickering among members of the house committee which had set out to revamp the Social Security system has thrown the study group into a debating society with charges and counter-charges. In similar situations in the past, such committees have been able to accomplish little or nothing in congress; the fights of the committee room are carried to the floor and sight is lost of the main purpose. President Eisenhower is anxious to carry out his campaign pledge to broaden and otherwise improve the system. Rep. Carl Curtis (r. Neb.), subcommittee chairman flatly states the Social Security insurance is a misleading promise.

BI-PARTISAN effort to reduce the monetary cost of pumping economic and military strength into friendly foreign governments will be made early in the new congress. Senator A. J. Ellender of Louisiana, a democrat will ask that all foreign direct aid be discontinued except a small budget to teach American "know how" to industry in those countries.

As We Go To Press

From the standpoint of party vitalization, the best thing that happened to the GOP in 1953 was President Eisenhower's casting off of the role of passivness and his assumption of aggressive leadership, politically and as the engineer behind a legislative program. It has been altogether apparent that the President had been following a course of action which was basically a mistake: he was anticipating that there would be a backfire if he, a political tyro, were actively to assume the party reins which came with the legislative partnership mandate wrapped up in his election. Some close to Ike say he also suffered a belief that a "get tough" course would confirm campaign attacks that a general cannot conciliate, must have his orders blindly obeyed, that military background works against a successful Presidency.

Mr. Eisenhower's unwillingness to go to the mat with those who would put roadblocks in his path was meat to every would-be leader in and out of congress. It took a flat challenge, from Senator McCarthy, to Ike's political and program leadership, to bring the general out fighting. Attorney General Brownell had embroiled the President in a battle he he didn't want to wage with former President Truman. Brownell went beyond the speech outline he had put before General Eisenhower and made Mr. Truman a party to the crime. When the President said the red hunt would not be THE issue in 1954, Senator Jenner, another republican, flatly challenged the statement. Rep. Daniel A. Reed, GOP boss of the ways and means committee, fought the White House tax program last year said he will do so this year. Republican Speaker Joseph W. Martin, delivered the fell blow to the general national sales tax.

These and some minor irritations must have been going through the President's mind when Senator McCarthy went to the public to answer Mr. Truman's speech, only to make headlines with a charge that Ike's administration was "batting zero" on its own. That indictment was in two counts: the drive on subversiveness was a failure; the foreign policy of Eisenhower-Dulles was worse than a failure. Inherent was a suggestion that the President not only take dictation in the field of foreign relations, which is constitutionally committed to his orbit, but also abdicate the role of titular leader of the GOP, accept as fact the belief of Senator McCarthy that he (McCarthy) is both the individual and the issue upon which republicanism in the United States shall stand or fall.

It is of major importance to republican partisans that Ike has decided to place his personal popularity and high standing on the side of a strong, united, and effectively-operating party. More important to the entire country is the knowledge that there will be no wishy-washy yielding to dramatic demands for a new foreign policy, the effect of which -- President Eisenhower and Secretary Dulles made clear -- leaned toward, and might end up with, complete isolationism, with resultant loss of allies.

Did Ike go too far in his demand that his program be enacted or opposing congressmen will find themselves punished at the polls, and the republican party deservedly ousted? It must have been an unintentional slip; surely the President does not suggest that congress must be so wholly subservient to the Executive Branch as to take lock-stock-and-barrel, whatever is sent to the Capitol for enactment; that the legislators may not change an objective or even a word. A later part of his statement probably more accurately reflects the state of his thinking; the part in which he said "such a program" (not "the program I shall soon submit to the congress") -- must be enacted by the republicans or their party "does not deserve to remain in power." The formal statement also would have been better tooled if it has been less partisan, if it had acknowledged the absolute necessity of democratic votes to put it through.

In any event, the "Great Crusade" has at last moved off the spur track and

onto the main line. There has been a Capitol Hill leadership vacuum since the death of Senator Robert A. Taft. While there was no suggestion that the President intends to go over the heads of those among whom Taft's leadership was distributed, there is speculation as to exactly what the President meant when he spoke of reliance upon "my close associates in congress." He has uniformly used the collective noun "leaders" in the past when referring to the GOP organization on Capitol Hill. Because the White House program has not even been sneak-previewed, the President may have wished to avoid broadening his claim of support to embrace all the outstanding republicans. Some already are on record as opposed to propositions which have been mentioned as part of the Eisenhower Plan.

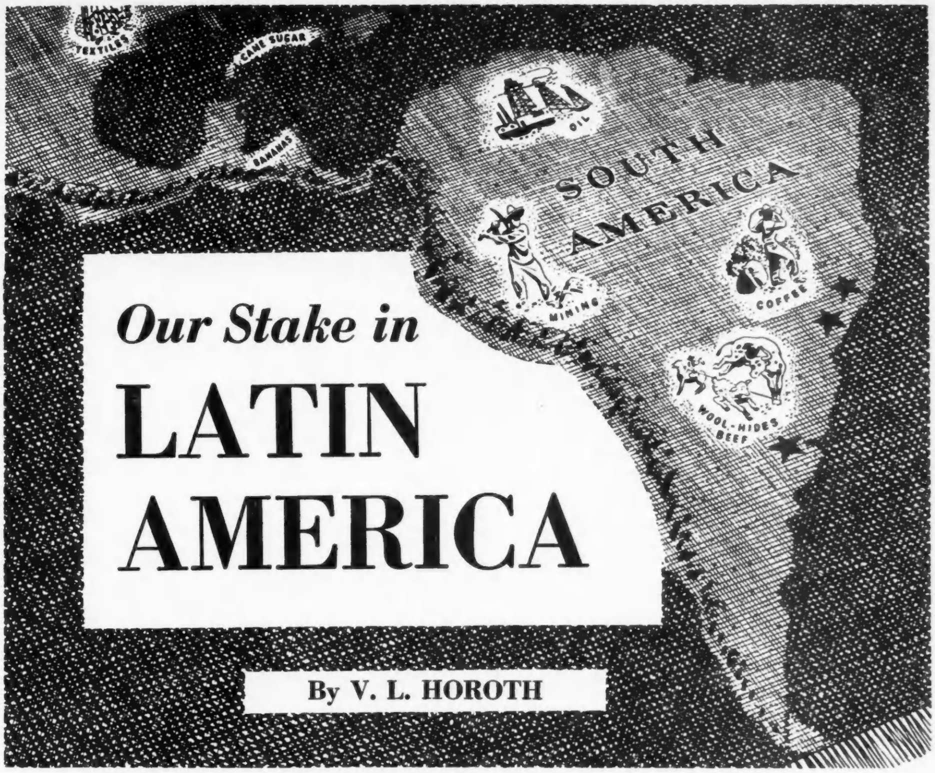
The President began his first year with one advantage he does not possess as the second year begins: in January 1953 he was not required to submit a budget and justify it, because the submitted budget was the one prepared by Mr. Truman and his aides. The Truman estimates of required income and outgo went to committees dedicated by their campaign promises, and by personal disposition, to slash expenditures, reject the democratic tax program, undo things generally. They didn't have to defend Eisenhower. Their relish in helping him keep his own promises was great.

This year, Ike is on his own; the budget congress will work on is his to justify, to defend. An economy program could be worked out in 1953 at the expense of a President's (Truman's) budget; it can be worked out in 1954 probably only at the expense of a President's (Eisenhower's) budget. The President says the government should not try to collect any more taxes next year than were collected this year. That means a re-shuffling job. If some taxes are to be discontinued, or reduced, other fields of taxation must be cultivated. And with each attempted inroad on an un-taxed area, each try to boost an existing ratal, will come yowls of pain and protest. The situation points, with what seems faultless aim, at lifting the national debt ceiling, deficit operations. Republican congressmen facing the polls in about 10 months from now, will be inclined to be provincial in their thinking, partial to the pork-barrel, and with priority labels all over their own political hides.

Farm leaders, professional and political, on their way back to congressional seats seem to lack some of the fire and brimstone they've been peddling around the agricultural area. That Secretary Ezra Taft Benson would turn in his commission as Secretary of Agriculture before the New Year set in seemed to be a safe forecast only a few short months ago. Cries for his official scalp were being echoed from high places. The whipping-boy of the administration's foes has been slowly but, apparently, surely coming back. His soil conservation service reorganiaztion generated bitter attacks. The National Association of Soil Conservation Districts, meeting in Washington this month, pleaded lack of familiarity at the time complaints were made, now indorses the Benson Plan.

And there's mind-changing in other areas too. Organized labor was gleeful when it was learned that Senator Irving M. Ives, New York republican, was to become chairman of a senate sub-committee to write amendments, if any be needed, to the Taft-Hartley Act. Records were searched; it was found that Ives and Taft didn't see eye-to-eye on many things and the laborites saw in that fact the distant outline of repeal, the immediate picture of substantial revision back toward the Wagner Act. Now Ives has spoken on the subject for the first time since his appointment was announced: the present Act is just and he will oppose amendments to its theory or main objectives.

An important federal policy is on the process of being created and if business enterprises operating under the Robinson-Patman Act don't accept an offer to participate they may find themselves bound by pricing rules they won't be able to meet with an "I never heard of it!" defense. H. T. Taggart of Michigan University's school of business administration is chairman of an advisory committee in charge. Task is to decide whether FTC should develop standards of proof and procedures for costing as guides to business. Sellers then would be in a position to fashion their costing methods to aid determination of compliance with the Robinson-Patman Act. (Please turn to page 398)



Our Stake in LATIN AMERICA

By V. L. HOROTH

"Latin America is destined to be an economically powerful area of the globe. While it will always have economic relations with Europe and other parts of the world, its firmest and most extensive relations can and should be with the United States." This is one of the concluding remarks of Dr. Milton S. Eisenhower's report on his economic and political mission to Latin America. We shall return to the conclusions and recommendations of this admirable Report which was published a few weeks ago, in the latter part of this article.

When President Eisenhower sent his brother on the mission last summer, he did so out of conviction that "sound economic, military political, and cultural relationships between the United States and the nations of Latin America are vital . . . as we seek to build a cooperative peace characterized by freedom and rising levels of well-being." Dr. Eisenhower's task was to obtain "a broad perspective" of the situation in our sister Republics and "to consider what, if any, changes might be desirable in the United States policies and programs in order to contribute to the meaningful unity we all desire."

Dr. Eisenhower begins his Report by stressing the importance of Latin America and the United States to each other. He points out that our combined export and import business in that area averaged $7 billion in 1951 and again in 1952, to which amount could be added another $2 billion representing the so-called invisible transactions—such as interest payments, insurance, shipping, tourist trade. In 1938, the Western Hemisphere trade (including Canada) accounted for 25 per cent of world trade; in 1936 it represented 36 per cent of all world trade. Even during the first half of 1953, when our exports fell off considerably, Latin America bought machinery here at the rate of about $750 million a year, or about 26 per cent of our total machinery exports. During the same half-period, Jan.-June 1953, Latin American purchases accounted for half of our exports of motor trucks and medicinal preparations, for some 46 per cent of our passenger car and metal products exports, and about one-third of our exports of industrial chemicals, electrical equipment, steel-mill products, cotton textiles, and engines.

At the same time, about one-third of our imports originated from Latin America. Fully 100 per cent of our banana imports, 95 per cent of our coffee imports — which, incidentally, cost us now almost $1,400 million a year — came from Latin America during the first six months of 1953. But aside from basic foodstuffs such as coffee, sugar, cocoa, and tropical fruit, we also imported from Latin America many of the raw materials which we must have either to live comfortably or for our defense in case of war. Latin America is the major single source of some 20 commodities on our stockpile list, and, as will be noted from the accompanying tables, it contributed in the Jan.-June 1953 period some 65 per cent of our imports of copper, 55 per cent of our lead imports, nearly all the vanadium, and so on down the line. *What is really important is that, in case of national emergency, the United States, Canada, and Latin America would form a highly self-sufficient unit for defense.*

Need for Understanding

But all this is not the full account of the economic ties that bind us to Latin America. Without our investment, there would be no rayon factories in Cuba, no hydro-electric plants or vast electric transmission lines in Brazil, no steel mills in Chile, nor could Mexico assemble its own automobiles. The United States has over $6 billion in private long-term investments in Latin America—more than anywhere else, excepting Canada. "The economic well-being of every special interest group in the United States", comments Dr. Milton S. Eisenhower in his report, "is affected by our relations with Latin America. Dollars received by Latin America from sales in the United States are largely used for direct purchases here. If tariff or other changes should cause a drop in our purchases from Latin America, every part of the United States would feel the effects. Abiding cooperation between United States

and the Latin American Republics will result not from wishful thinking nor mere accident but from adherence to consistent programs, honorably and consistently observed." One requirement for such cooperation and good relationship is genuine understanding. Unfortunately, there is a great deal of misunderstanding of each other's problems on both sides of the Rio Grande.

For example, the Latin Americans as a group over-estimate the economic capacity of the United States and under-estimate the sacrifices—particularly in the way of taxes—made by the Americans since 1941. They complain, among other things, that we have made billions of dollars available to Western Europe, the Middle East, and the Far East, while neglecting them. They do not realize that by bolstering the European markets we did their export trade a vital service.

"If we had poured into the Latin America the aid that we have supplied to the Old World, there is little doubt that we would have made Latin America blossom like the rose. But let us remember quickly," John M. Cabot, Assistant Secretary for Inter-American Affairs, declared in his recent speech, "that that rose would have wilted if communism had ever come to dominate the Old World. We gave economic aid to the Old World not because we felt more friendly to the nations in it than in our sister Republics; we gave it because it was essential that we do so if the Free World were to be secure." Without our economic aid, Western Europe would have found it difficult to buy from Latin America goods at the rate of over $2 billion a year—goods that the United States could hardly absorb—such as wheat and corn from Argentina, cotton and non-ferrous metals from Mexico, cotton and vegetable oils from Brazil, and meat products from Argentina and Uruguay.

But even though Latin America may not be entitled to the gifts and grants set aside for the rehabilitation of devastated Europe, the Latin Americans still argue that we are too close-fisted with our loans and credits and that we are "giving our private interests a hunting license to exploit them". Dr. Eisenhower reports that he found such misconceptions as that the United States essentially controls the World Bank and that we, rather than the Bank, decide who should get loans and on what terms.

This assertion that we have a moral duty to invest in Latin America and to help it to diversify its economy is inconsistent with the views of budding local nationalists who in one breath accuse us of colonialism, of unfair trade terms, and of exploiting their natural resources without any benefit to the host country. In Guatemala, Bolivia and elsewhere, American companies are regarded as sources of revenues. Chile would have probably nationalized American copper properties a long time ago if it could find the capital to run the mines.

What the Latin Americans fail to realize is that the U. S. Government loans or World Bank loans cannot assume the whole burden of the development and that U. S. private capital will come in only if conditions are attractive enough despite uncertainties. Tht Latin Americans fail to realize that they must compete for this private capital not only with the internal market but with such countries as Canada.

While there is a great deal of misconception in Latin America about the conditions under which U. S. private capital will partake in the development of Latin American economies, there is a great deal of misunderstanding of Latin America's problems and potentialities in this country also. Few people realize, for example, that with the exception of Canada, Latin America is the fastest growing area in the world. In the past two decades, Latin American population has increased at the rate of about 3 million, or 2 per cent a year. In fifteen years, from 1937 to 1952, this population rose from 115 million to 161 million, surpassing for the first time the population of the United States. If the present rate of growth is maintained, Latin America will by 1975 have a population of some 220 million, as against 190 million for the United States.

Even greater than the growth of population has been the expansion of the output of goods—and this, despite the dearth of local capital and the hesitant inflow of American capital. According to a recent study by the United Nations, Latin American national product rose (at constant prices) almost 44 per cent in six years after the Second World War. This is a rate that surpassed both Canada and the United States. Hence, marketwise, Latin America offers great potentiali- (*Please turn to page* 404)

Latin America: A Few Economic Indicators

	Population (000,000)	Rural Population %	Arable Land (000,000 ha)	Cattle 000,000 Head	Tractors (000)	Motor Vehicles (000)	Nat. Income $ per Capita
DOLLAR AREA:							
Mexico	26.9	70	10.0	14.5	32.0	369	183
Colombia	11.3	70	2.1	14.5	6.5	84	257
Peru	8.7	70	1.6	2.5	2.4	72	110
Venezuela	5.9	65	2.0	5.4	7.7	154	426
Cuba	5.5	70	2.0	4.6	8.0	151	357
Ecuador	3.2	70	3.0	1.6	.9	16	78
Haiti	3.1	90	.5	.1	.1	7	n.a.
Bolivia	3.1	70	.3	3.8	.7	14	125
Guatemala	2.9	75	1.4	.9	.9	17	132
Dominican Rep.	2.2	80	.7	.9	.6	10	n.a.
El Salvador	2.0	80	.4	.8	.5	11	102
Honduras	1.5	70	.6	.9	.3	4	110
Nicaragua	1.1	80	.7	1.1	.3	5	n.a.
Costa Rica	.8	80	.8	.5	.6	9	n.a.
Panama	.8	65	.2	.6	.4	14	n.a.
Total	79.0		26.3	52.7	61.9	937	
NON-DOLLAR AREA:							
Brazil	54.7	70	18.8	50.1	15.7	564	234
Argentina	18.1	50	30.0	41.2	25.0	367	292
Chile	5.9	50	5.9	2.3	6.0	83	275
Uruguay	2.3	60	1.5	8.3	10.5	86	224
Paraguay	1.4	80	1.6	3.9	.1	5	83
Total	82.4		57.5	105.8	57.3	1,105	
LATIN AMERICA	161.4		83.8	158.5	119.2	2,042	
U. S.	160.0	36	184.1	87.9	3,786.0	53,258	1,862

n.a.—Not available. ha—hectares

Source: Department of Commerce, Comparative Statistics for the American Republics.

How Safe Are......

High Yield Stocks?

—A Survey of 80 Stocks Yielding 8%-12%

Part II By J. C. CLIFFORD

(Editor's Note: This is the second section of a special survey into the current margin of earnings over dividends of 80 stocks yielding from 8% to 12%. The first part of this study appeared in the December 12 issue, and listed 40 stocks. The remaining 40 stocks appear herewith. We wish to call attention to the table which follows on the next two succeeding pages. This, together with the table appearing in the previous issue, gives basic information on changes in sales and profit margins for the individual companies.)

As indicated in the first part of this review, the position of stocks which yield in excess of 8%, especiallly when the yields approach 10% and over, is automatically subject to intensive re-examination on the sound principle that yields too far in excess of the average in any given period reflect a basic uncertainty regarding the safety of the individual dividend. This does not mean, as we have tried to point out, that each and every stock which yields considerably more than the average is vulnerable to a possible dividend cut as some may be found that offer, for a time, at least, a reasonable degree of dividend safety. Such instances have been pointed out, where applicable, in the comments on certain individual stocks. On the other hand, the great majority of stocks which yield 8% or over unquestionably should be carefully examined as to the possible future of their dividend as such high yields generally are a signal that the basic position of the dividend is not as strong as it should be.

The situation is of special importance at this time as business is entering a period of adjustment to lower sales and production which will have proportionate effects on profits, depending on the industry and the individual company. In periods such as this, the secondary and marginal companies are normally subject to growing pressure under competitive conditions. Where profit margins have not been substantial in recent years, any future decline in sales is likely to impair the already narrow margin between earnings and dividends. Stocks of such companies are especially typical of the high-yield categories.

High yields may also be found among some more important companies, that is among concerns that occupy an important part in their industries and, also, among leaders in the so-called cyclical industries. Dividends in such cases are likely to be supported for a considerable period, despite lower trends in profits, on account of the normally strong financial position which these companies have been able to build up through recent years' periods of prosperity. The final determination of the strength of the dividend, however, can only be obtained through analysis of the factors that are operating in each individual case.

The following comments cover the second section of the 80 companies analyzed. It is suggested that these comments be read in connection with the data on each company presented in the tables.

ALLIS-CHALMERS: One of the leading manufacturers of farm machinery, electrical equipment and heavy industrial machinery. Diversification of products increased by recent acquisition of Buda Co. Good financial position. Declining farm income, with reduced agricultural equipment sales, suggests moderately lower profits in months ahead. However, earnings may warrant dividend maintenance.

AMERICAN EXPORT LINES: Company operates a passenger and freight steamship line between New York and Mediterranean ports, extending to India. Operations are subsidized by U. S. Government, with

payments partly withheld and subject to settlement later. Financial position adequate. Continuation of current dividend rate dependent largely on government support.

AMERICAN LOCOMOTIVE: Second largest producer of Diesel-electric locomotives. Output includes other railroad equipment and industrial products, as well as large defense orders. Business is highly cyclical, finances moderately strong. Reduced backlogs point toward lower locomotive sales, and military tank production will terminate next year. Thus, future dividend disbursements appear conjectural.

CELOTEX: Company is a leading insulation manufacturer, using sugar cane as a base. Products include various gypsum, roofing and hardboard items. Sales of insulation are subject to sharper fluctuations than most building materials. Earnings record of company variable. While dividend coverage this year will be adequate a slackening in building activity could reduce this margin.

CERTAIN-TEED: Important producer of asphalt roofing and shingles, as well as gypsum plaster, wallboard, lath and other products. Company is in competition with larger manufacturers of similar building materials. This year's profits should show moderate improvement over 1952, but leveling-off in new building next year would result in narrower spread between earnings and dividends. However, present rate seems secure for time being.

CHAIN BELT: Company manufactures power transmissions and conveyor chains, as well as machinery and other products. Backlog of orders is declining and defense work may taper off. However, record of well-maintained earning power suggests only moderate reduction in profits. Strong financial position. Current dividends may continue for some time.

CRANE: A leading producer of valves, pipe and fittings used by industry, and heating and plumbing equipment for buildings. New titanium metal plant under construction. In spite of third quarter improvement, somewhat lower earnings this year and over coming months is indicated. However, dividend coverage and strong finances point toward maintenance of $2.25 rate.

DEVOE & RAYNOLDS "A": Manufacturer and distributor of paints, enamels and varnishes, as well as other products. Trade sales of paint largely for maintenance and thus only partly dependent on new building activity. However, business highly competitive and profits have declined from postwar peak. Earnings outlook uncertain, thus warranting no assurance of continued $2.00 dividend payments.

DIAMOND T MOTOR: Independent truck manufacturer, with sales concentrated in heavy duty vehicles. While record is better than industry average, keener competition and higher costs have reduced margins. Financial position only fair. Loss of important military truck contract suggests lower earnings next year, leaving dividend rate subject to possible revision.

ELLIOTT CO.: Company is one of smaller manufacturers of steam turbines, electric generators and motors, as well as related products. Despite rising sales trend in recent years, profit margins have narrowed. Competitive and cost factors point toward moderately lower earnings. However, strong financial position and dividend coverage are factors favoring dividend maintenance.

ERIE R.R.: Operates trunk line system between New York and Chicago, serving densely populated and industrialized area. Despite property improvements, operating efficiency somewhat lower than leading roads. Also, anthracite traffic declining. Although aided by dieselization economies, earnings outlook is less favorable. Highly leveraged stock is speculative. Notwithstanding present dividend coverage, future is in doubt.

FAIRBANKS, MORSE & CO.: Company manufactures industrial engines, motors, generators, pumps and compressors, as well as scales and other equipment. Business is cyclical in character, and profits subject to fairly wide swings. While third quarter new orders gained, this year's earnings may be somewhat lower, with this trend continuing in months ahead. But dividend coverage sufficient to support dividend.

FLINTKOTE: Roofing, shingles and related items represent main part of sales, with asphalt and asbestos products for industrial use providing some diversification. Industry is competitive in price and sensitive to building activity. Moderate 1953 earnings increase could be temporary, as trend has been downward in recent years. Near-term dividend maintenance likely as based on good finances.

GENERAL BAKING: Company is third largest in commercial bread baking field. Output includes other baking products. Keenly competitive industry operates on narrow profit margin. Earnings downtrend in postwar period has been accelerated this year. Capital needs for expansion and low level of earnings cast some doubt on dividend disbursements.

GENERAL RAILWAY SIGNAL: Second largest manufacturer of railroad signals, switches and communication devices, including mechanical and electrical equipment. Maintenance and repair business substantial. In spite of moderately lower earnings this year, order backlog should sustain volume fairly well. This, plus strong finances, suggests maintenance of dividend rate.

GREENFIELD TAP & DIE: Company produces cutting tools, dies, drills and other items, mainly for the metal-working trades. Such tools wear out with use, thus providing a good replacement demand. Nevertheless, the industry is cyclical in character. While immediate earnings appear favorable, past profits have fluctuated considerably. In view of strong finances, dividend can be maintained for some time.

HOUDAILLE-HERSHEY: Manufacturer of bumpers, shock absorbers and a variety of parts, principally for the automotive industry. Bulk of sales represent original equipment for new cars. Increasing competition in automobile industry suggests narrower margins for company. Earnings record is erratic and stock speculative. Duration of present dividends conjectural. (*Please turn to page* 394)

40 STOCKS YIELDING 8 TO 12 PER CENT

(Part 2. See Text for Comments on Individual Companies)

	Net Sales 1952 (Millions)	Net Sales 9 mos. 1953 (Millions)	Net Profit Margin 1952	Net Profit Margin 9 mos. 1953	Net Per Share 1952	Net Per Share 9 mos. 1953	Indicated Div. 1953	Recent Price	Indicated Div. Yield
ALLIS-CHALMERS	$513.6	$391.1	4.7%	3.8%	$ 7.98	$ 4.83	$ 4.00	45	8.8%
AMERICAN EXPORT LINES	61.7	......	6.2	......	3.20	2.68	1.50	13	11.5
AMERICAN LOCOMOTIVE	349.9	326.8	1.8	1.6	2.84	2.37	1.40	14	10.0
CELOTEX	52.0[1]	43.2	3.1	4.6	1.54[1]	2.08	1.50	16	9.3
CERTAIN-TEED	58.6	47.2	6.2	6.3	2.24	1.84	1.00	12	8.3
CHAIN BELT	37.5[1]	31.0	5.6	6.1	3.69[1]	3.16	2.50	31	8.0
CRANE	319.2	232.4	3.0	2.8	3.96	2.62	2.25	29	7.7
DEVOE & REYNOLDS "A"	45.8	36.9	3.1	3.7	2.49	2.44	2.00	21	9.5
DIAMOND T MOTOR	79.9	62.9	1.2	.9	2.46	1.47	1.00	11	9.0
ELLIOTT CO.	45.0	31.3	6.0	6.1	5.08	3.20	2.00	25	8.0
ERIE R.R.	176.4	138.0	7.5	6.7	2.85	3.21[5]	1.75	17	10.2
FAIRBANKS, MORSE & CO.	117.8	......	3.9	......	3.84	......	2.00	23	8.7
FLINTKOTE	84.0	72.2[6]	5.8	5.4	3.61	2.93	2.00	26	8.0
GENERAL BAKING	120.0	......	2.3	......	1.38	.32	1.00	10	10.0
GENERAL RAILAY SIGNAL	21.6	......	6.6	......	3.91	2.26	2.50	30	8.3
GREENFIELD TAP & DIE	18.5	......	4.5	......	3.37	2.69	2.00	20	10.0
HOUDAILLE-HERSHEY	64.6	71.1	3.3	3.5	2.22	2.76	1.50	13	11.5
HOWARD STORES	27.4	26.0*	3.6	3.0*	2.30*	2.35**	1.50	16	9.3
INTERLAKE IRON	74.3	60.2	7.2	6.6	2.75	2.06	1.50	15	10.0
KELSEY-HAYES WHEEL	102.7[2]	138.3[7]	4.3	3.5	3.63[2]	4.08[7]	1.50	17	8.8
LEHN & FINK	21.7[3]	......	4.3	......	3.04[3]	.32[8]	1.25	15	8.3
LERNER STORES	154.4	151.0*	1.8	1.8**	2.28	......	1.50	17	8.8
LIBBY, McNEILL & LIBBY	212.1	......	2.8	......	1.69	......	.95	9	10.5
MAYTAG CO.	86.8	66.1	7.7	7.6	3.66	2.65	2.00	18	11.1
MULLINS MFG.	53.7	54.1	6.1	4.7	2.63	1.87	1.60	19	8.4
MURRAY CORP.	81.3[2]	108.9[7]	4.9	3.7	3.87[2]	3.90[7]	2.00	18	11.1
NATIONAL ACME	39.9	......	6.9	......	5.53	4.53	3.50	31	11.2
NEW YORK AIR BRAKE	35.9	30.4	5.2	5.3	2.63	2.27	1.60	17	9.4
OLIVER CORP.	134.4[1]	95.1	4.4	1.6	2.71[1]	.63	1.20	9	13.3
POND CREEK POCAHONTAS	21.1	16.9	8.9	5.9	5.36	2.93	4.00	34	11.7
PRESSED STEEL CAR	51.2	74.5	3.8	3.0	1. 2	1.35	.[illegible]0	9	8.8
ST. LOUIS-SAN FRANCISCO RY.	140.6	105.9	10.4	8.5	6.37	3.84[5]	2.50	25	10.0
SIMMONS CO.	157.5	75.6[9]	3.8	4.1	4.79	2.46[9]	2.50	30	8.3
UNITED ENGINEERING & FDRY.	85.0	39.9[9]	4.4	5.1	1.51	.82[9]	1.00	12	8.3
VAN NORMAN CO.	23.2	......	3.8		2.93	2.09[6]	1.40	13	10.7
VAN RAALTE CO.	29.0	21.0	6.1	6.0	3.82	2.61	2.60	28	9.2
WARNER BROS. PICTURES	71.5	......	9.9	......	2.86		.90	12	8.0
WHEELING STEEL	178.2	169.5	6.1	5.9	6.44	6.03	3.00	34	8.9
WHITE MOTOR	148.5	120.2	2.3	2.7	4.44	4.02	2.50	30	8.3
WORTHINGTON CORP.	133.7	......	4.5	......	5.40	4.00	2.50	30	8.3

[1]—Year ended October 31, 1952.
[2]—Year ended August 21, 1952.
[3]—Year ended June 30, 1953.
[4]—6 months ended July 31, 1953.
[5]—Before funds.
[6]—40 weeks ended October 10, 1953.
[7]—Year ended August 31, 1953.
[8]—Quarter ended September 30, 1953.
[9]—6 months ended June 30, 1953.
*—10 months.
**—Est. year ended Jan. 31, 1954.

TOBACCO Shares Today

By PHILLIP DOBBS

(*Editor's Note: Investors have been startled in recent weeks by the enormous amount of publicity given to medical reports on cigarette smoking. In view of the great prominence of tobacco shares in the investment market, it is important to obtain a rational picture of the actual situation. The accompanying article represents the considered viewpoint of one of our analysts highly familiar with the tobacco industry and is particularly timely.*)

Now that more and more cigarette smokers are turning to pipes—or, at least, cutting down on smokes—cigarette manufacturers may consider the time propitious for a "pipe of peace" conference. There is little doubt but that leaders in the industry have become concerned over the adverse effects of keen competition and exaggerated claims which appear to have proved harmful to sales volume. Most observers agree that overzealous advertising copy writers have gone too far for their own good.

Investors, noting the decline in distribution of cigarettes as well as the published comments of medical experts suggesting possible connection between the rise in lung cancer and the growth in cigarette sales, have registered their uneasiness in the marketplace, where prominent tobacco stocks have been under pressure for weeks. Judging from the behavior of stocks, one might gain the impression that the industry was facing a calamity. Nothing of the sort is likely. Although the use of cigarettes is expected to drop about 2 per cent this year, the first important downtrend since the deep 1932 depression, other factors than health worries have contributed to smaller sales.

There can be little doubt but that the industry is passing through a major readjustment that is likely to find reflection in narrower profit margins and that keen competition for the support of new smokers may alter the quotas now held by principal brands. In such a readjustment emotional influences play a part in governing prices of individual stocks. Accordingly, leading stocks may decline to a greater extent than would seem justified by cold, economic factors. Investors interested chiefly in steady income probably would be justified in looking more complacently to the longer term for eventual recovery in values. Others awaiting an opportunity for purchases in expectation of capital gains would seem justified in watching closely for evidence of excessive pessimism and of a change for the better in industry practices. Cigarette stocks almost certainly will sooner or later regain the investment stature they held up to a few months ago.

The "King-Size" Brand

In appraising the outlook for the industry, it would be well to review some of the recent developments to gain a better perspective of what has ben taking place. For the greater part of the last decade, consumption of cigarettes has been growing steadily—so much so that little promotional effort was required to boost sales. In fact, during the war great scarcities prevailed. Afterward the smaller, less popular brands began again to lose ground to the major producers. Then came the introduction of the king-size smoke. Its popularity, especially among women smokers, assured its success.

More and more manufacturers brought out king-size brands. Promotional advertising emphasized the greater health protection in the filtering effects obtainable in the 85-millimeter length. The next logical step, of course, was the straight filter-tip designed to "filter out harmful tars and resins" found in tobacco. Advertisers stressed "health protection" aspects and the presumed injurious ingredients of "other cigarettes." Sales of king-size and filter-tip brands far outstripped gains in older, established blends. In fact, consumption of all the leading standard size cigarettes dropped last year, according to industry estimates.

The climax was reached a few weeks ago when the American Medical Association published several unfavorable reports of clinical tests in cancer research. Publication of news regarding the association's clinical tests directed attention anew to the unfavorable effects of past methods of cigarette advertising in the industry.

As mentioned previously, the slight drop in estimated 1953 sales may be attributed to factors other than the unfavorable influences mentioned. Wider use of king-size brands, for example, generally is believed to have reduced consumption on a unit basis—even if more tobacco actually has been used this way. A slower tempo in industrial plants is believed to be another factor inhibiting smoking. Reduced personal income in families where overtime employment has disappeared may have retarded smoking to some extent. Moreover, in some areas price advances may have induced smokers to spread consumption over longer periods. In other instances, the health bugaboo has persuaded individuals to switch from cigarettes to cigars or pipe tobacco. All of these motives can be cited as explanations for the reversal in the pronounced rise in cigarette consumption.

Whether or not the reversal gains momentum may be determined in large measure by future industry advertising policies. Most observers hold the view that the guiding executives are too smart to continue policies that have been described as harmful. That major manufacturers have become concerned is evidenced by their reactions to the American Medical Association developments. One company, the American Tobacco Company, has met the challenge by announcing plans for encouraging research to determine whether there may be any link between cancer and smoking. Paul M. Hahn, president of the company, commenting on this decision, said:

"With all the research being conducted in this field, no one has yet proved that lung cancer in any human being is directly traceable to tobacco or to its products in any form. For every expert who blames tobacco for the increase in respiratory disease there are others who speak with at least equal authority, who say that there is no evidence to show that tobacco is the cause.

"Let me make two other observations: 1) At one time or another within the the past 350 years practically every known disease of the human body has been ascribed to the use of tobacco. One by one these charges have been abandoned for lack of evidence. 2) The American Tobacco Company is working at and supporting scientific research of a fundamental nature in this field, within its own laboratory and in independent institutions. It is our policy, within the limit of avoiding duplication of research, to extend our cooperation to projects where we believe that the researchers are approaching and will approach the subject without prejudice and without preconceived opinions on the problem to be investigated."

In a statement issued by Harris B. Parmele, Director of Research of P. Lorillard Company, the following observations were made:

"We are frequently asked questions pertaining to cigarette smoking and its effect on various phases of human health. During recent months, many of these questions reflect the unproven opinion that cigarette smoking is related to an increase in lung cancer. Such opinions are often derived from purely speculative surmises, others are drawn from debatable statistics, while still others originate from animal experiments which have little if any bearing on cancer such as seen in the lung of man. Even the most biased individuals, who are among the ones most widely quoted, must admit that the evidence produced to date is only suggestive and by no means convincing."

From the standpoint of investors, this furore over harmful effects of cigarette smoking has come at an unfortunate time; but, from the manufacturers' viewpoint, perhaps the timing is more favorable. In the first instance, most tobacco stocks had gained wide acceptance as popular investment media because of their qualifications for "defensive" issues in event of a business recession and because of the prospect of an improvement in earnings upon the expiration of excess profits taxes. Hence, the threat of trouble for the industry tended to bring onto the market considerable hasty liquidation from inexperienced holders. As for the industry, the prospect of tax relief should prove reassuring if promotional expenses rise and if some slight decline in sales should tend to shrink profit margins.

Position of Leading Cigarette Manufacturers

	1952		1953 9 Months		Net Per Share				
	Net Sales (Millions)	Net Profit Margin %	Net Sales (Millions)	Net Profit Margin %	1952	9 months 1953	Indicated Div.	Recent Price	Div. Yield
American Tobacco	$1,065.7	3.2%	$815.8	3.6%	$4.79	$4.26	$4.00	62	6.4%
Liggett & Myers	603.0	7.0	(n.a.)	(n.a.)	5.11	3.99	5.00	65	7.7
Lorillard (P.)	214.5	2.6	187.9	2.7	2.01	1.66	1.60	24	6.6
Philip Morris	314.8[1]	3.6	77.3[2]	4.3	4.13[1]	1.23	3.00	43	7.0
Reynolds Tobacco "B"	881.4	7.0	(n.a.)	(n.a.)	2.90	2.35	2.00	39	5.1

(n.a.)—Not available.
1—Year ended March 31, 1953.
2—Quarter ended June 30, 1953.
3—Includes dividend payable Jan. 2, 1954.

With this discussion of major problems serving as a background, it may be helpful to examine briefly financial and economic aspects of several of the major representatives. Supporting statistical information may be found in the accompanying tabulations.

American Tobacco Co.

Published statements indicate that American Tobacco Company is the largest manufacturer with a volume comfortably above that of R. J. Reynolds Tobacco Co., its nearest competitor. While Reynold's *Camel* brand is the most popular, American's *Lucky Strike* ranks second in sales and the same company's *Pall Mall* is credited with being fourth in volume. The latter is believed to be the best seller in the king-size category. These two brands contributed something more than 93 per cent of American's 1952 sales volume. Trade reports intimate that the company is considering the introduction of a new filter-tip brand. The company ranks high in post-war growth and, in financing gains, has boosted debt to more than $243 million from about $32 million in 1940. Net profit for the year just ending may approximate $6 a share, against $4.79 last year. Dividends have held at $4 a share since being raised from $3.75 in 1949.

Reynolds (R. J.) Tobacco Co.

Reynolds, with a gain of more than 64% in volume since 1945, has been holding upward of 25 per cent of the nation's cigarette business having a total retail value of more than $4,000 million. In addition to its *Camel* brand, the company makes a king-size *Cavalier* and is reported experimenting with a filter-tip as well as with the idea of putting out a king-size model of the popular *Camel*. This company's EPT liability is estimated to be the heaviest on a share basis, suggesting the possibility of considerable improvement in 1954 earning power. Net profit this year may range slightly above $3 a share, against $2.90 in 1952, and optimists are hopeful of an increase in the $2 annual dividend.

Liggett & Myers Tobacco Co.

Liggett & Myers ranks as the third largest factor in the business with sales this year expected to top $600 million. Its leading brand, *Chesterfield*, has been slipping slightly, but with addition of the king-size model of the same name, the retrogression has slackened. A new L&M filter-tip recently has been introduced at a premium price. Less prominent brands are *Fatimas*, *Piedmonts* and *Spur*. The company appears to have pursued an aggressive promotional policy, but, by the same token, seems somewhat more susceptible to competition if its principal rivals should push king-size and filter-tip brands. Earnings may register a moderate improvement this year at about $5.50 a share, compared with $5.11 in 1952. The $5 annual dividend appears secure.

Philip Morris & Co., Ltd.

Philip Morris holds fourth place with sales this year expected to hold close to last year's $310 million, perhaps registering a small increase for the fiscal year ending next March. The *Philip Morris* brand (also in king-size) accounts for about 85 per cent of revenues. The proposed consolidation with Benson & Hedges is aimed at bolstering the company's competitive position in the filter-tip field. Earnings in the current year are expected to range above $5 a share (on the present capitalization), compared with $4.13 in the preceding year, ending March 31, 1953. The $3 dividend is regarded as assured without giving effect to the proposed consolidation.

Lorillard (P.) & Co.

In fifth place is Lorillard with the fastest growing filter-tip brand. *Kent*. This item is believed to have accounted for 10 per cent of this new market in 1952 despite its late start and is a candidate for scoring the widest gain in volume of any brand this year. The company's orthodox brand, *Old Gold*, in standard and king-size models, has been edging forward slightly to account for about 6 per cent of the industry's volume, against slightly more than 4 per cent right after the war. Sales this year seem likely to register the best comparison with 1952 and earnings may climb to $2.35 from $2.01 a share last year. The year-end extra brought 1953 dividends to $1.60, against $1.50 in 1952.

General Outlook

Before summarizing this discussion and appraising prospects for the coming year, it may be well to note changes in merchandising patterns. Distribution is gaining steadily in supermarkets, where the housewife customarily does the family shopping. Buying-by-the-carton, stressed in advertising, is gaining momentum. The ease and low-cost of distribution by this method should stimulate sales. Hope has been held out for a modification in affixing tax stamps so as to permit the manufacturer to pay taxes after the product has been sold instead of in advance, as is the practice now. Millions of dollars of capital are tied up in tax stamps on cigarettes held in inventory awaiting sale. Relief from this burden would prove a boon from an earnings standpoint, for the sterile capital could be used for more productive purposes.

Another favorable factor is the prospect for a gradual slight decline in raw materials costs. Manufacturers usually carry leaf tobacco for aging purposes for two years or more, calculating their costs on the basis of average prices paid for inventories. Leaf tobacco prices seem likely to rise little if any in the near term, and any drop would prove beneficial from a cost standpoint. Other factors should help maintain margins. Lower taxes in 1954 seem likely to provide a source for at least modest improvement in earnings.

Although a period of uncertainty may handicap price recovery in this group, especially if more new brands are introduced and promotional efforts are stepped up, investors should not forget that the industry has experienced problems of this sort on other occasions and has weathered the storm. It is scarcely likely that the pronounced rise in cigarette smoking characterizing modern-day living suddenly will be reversed for any considerable period of time.

Representative stocks is the cigarette group have retreated to levels where yields again are attractive from seemingly well protected dividends. Despite the prejudice of some investors against stocks dependent on the consumption of tobacco, indications are that the cigarette group will fare well over the longer run.

5 Public Utility Candidates for Higher Dividends

By OUR STAFF

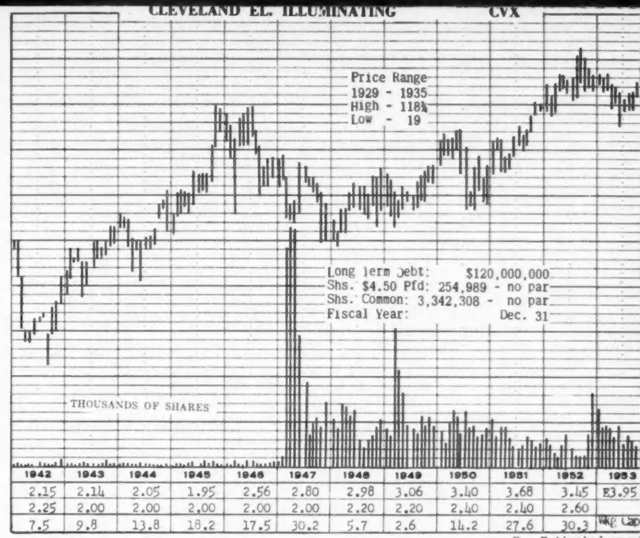
Among the three major groups—industrials, railroads and public utilities—the latter has most consistently maintained a steady upward trend since the end of 1950. This is indicated in two ways; by the Dow-Jones utility averages which have advanced quite gradually but steadily from about 40 to current levels of 52; and by the record of the several score listed utilities which in almost each case have made appreciable gains during this period.

This market record is based solidly on the post-war public utility performance in growth which has been almost uniformly reflected in higher gross and net income revenues year by year. In response to higher earnings, most utility companies have lifted their dividend rates, in the majority of cases on a moderate scale, therefore leaving further room for still higher rates in accordance with the position and prospects for the individual companies.

Financing has been accomplished largely through the issuance of additional amounts of common stock. This has had the effect of diluting the amount of net earnings on a per share basis but, in fact, has not prevented, over the longer run, the declaration of increased dividends on the greater total number of shares outstanding.

The process of slow increase in the dividend rate has been by no means completed. Some companies have delayed higher payments pending completion of important new facilities. Others are awaiting the favorable outcome of pending applications for rate increases to which State Commissions have become more sympathetic in recent years.

Out of this number, of which approximately 25 are longer-term candidates for larger dividend payments, we have selected five which are in a position to take such action during next year. The average yield on these five stocks on the basis of their indicated dividend for 1953 is 5.2%.



THE CLEVELAND ELECTRIC ILLUMINATING CO.

BUSINESS: The company operates an interconnected electric system serving the Cleveland and Northeast Ohio area extending for about 100 miles along the south shore of Lake Erie, comprising about 1,700 square miles, and containing a population of approximately 1,610,000. The company also furnishes downtown Cleveland with steam.

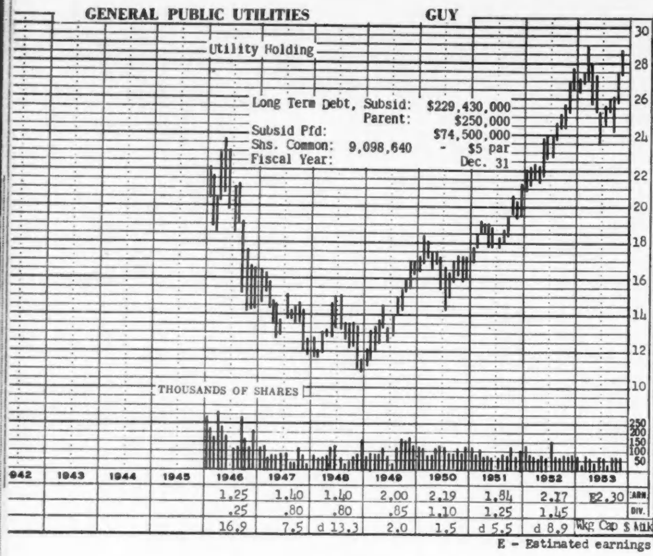
OUTLOOK: The company serves one of the most heavily industrialized areas in the country and numbers among its industrial customers important segments of the iron and steel, chemical, automotive, paint, machinery and a number of other basic industries. Rapidity of growth of the territory, especially in the postwar years is aptly illustrated by the company's electric revenues increasing from $43.4 million in 1946, to $83 million last year, that figure being raised to $86.8 million through sales of steam service of $3.5 million and the addition of some minor revenue. This total compares with $79.6 million in 1951. By the end of last year investment in property and plant had expanded to $323 million, an increase in the six years from the beginning of 1947 of $143 million, this sum being part of postwar expansion expenditures already made and those contemplated now totaling more than $250 million, in order to keep abreast of residential and industrial expansion. To finance current and proposed property additions, the company, late in 1952, sold around 552,500 shares of common stock to cover the construction budget up to the end of the 1954 first quarter. It is expected that further financing will be done to cover construction commitments thereafter. Although earnings have yet to reflect the full benefits to be derived from facilities now under construction, net income continues to expand, earnings for the 12 months to Sept. 30, last, reaching a record high of $14.6 million, equal to $4.05 a share for the common stock compared with $3.65 a share for the 1952 calendar year, and $3.67 a share for the year before that.

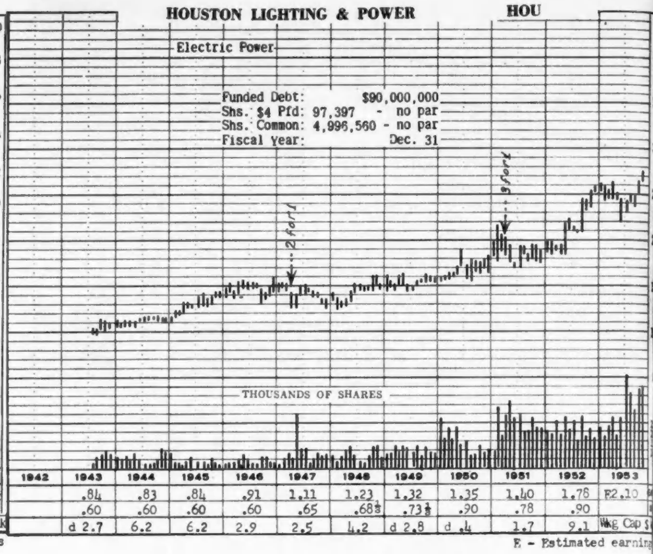
DIVIDENDS: Payments on the common stock have been made in each of the last 52 years. Since 1948 payments have increased from $2.20 a share to current of rate of $2.60 a share annually.

MARKET ACTION: Recent price of 54, compares with a 1952-53 price range of High—56⅜, Low—47½. At current price the yield is 4.8%, with a higher yield when the dividend is raised.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1943	September 30 1953	Change
ASSETS		(000 omitted)	
Cash & Marketable Securities	$ 12,554	$ 12,631	+$ 077
Receivables, Net	4,357	4,783	+ 426
Materials & Supplies	3,017	16,007	+ 12,990
TOTAL CURRENT ASSETS	19,928	33,421	+ 13,493
Plant & Equipment	170,035	349,956	+ 179,921
Investments	423	....	— 423
Other Assets	2,204	1,602	— 602
TOTAL ASSETS	$192,590	$384,979	+$192,389
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 10,030	$ 24,965	+$ 14,935
Other Liabilities	3,162	561	— 2,601
Reserve for Depreciation	44,368	89,206	+ 44,838
Other Reserves	50,000	120,000	+ 70,000
Long Term Debt	50,000	120,000	+ 70,000
Preferred Stock	25,499	25,499	....
Common Stock	40,871	80,356	+ 39,485
Surplus	16,378	44,392	+ 28,014
TOTAL LIABILITIES	$192,590	$384,979	—$192,389
WORKING CAPITAL	$ 9,898	$ 8,456	—$ 1,442
CURRENT RATIO	2.0	1.3	— .7





GENERAL PUBLIC UTILITIES CO.

BUSINESS: This is a holding company. Its principal operating subsidiaries are N. J. Power & Light, Jersey Central Power & Light, providing electricity to important sections of New Jersey, and Northern Pennsylvania Power and Metropolitan Edison, serving sections of Pennsylvania, the four companies forming an interconnected system. A wholly-owned sub-holding company controls the Pennsylvania Electric Co., and operating electric subsidiaries in the Philippines.

OUTLOOK: With the disposal of gas properties in 1952, the domestic operating subsidiaries now confine operations to the sale of electricity at retail to populous and heavily industrialized areas in the two states that also contain extensive rural and residential sections. Electric operating revenues have shown a steady growth, increasing from $72.1 million in 1946, to 1952's record high of $125.3 million. Gas revenues of $2.6 million, together with other income brought last year's total revenues of the domestic subsidiaries to $129.3 million, compared with 1946 total of domestic subsidiaries of $77.3 million, a gain of 67.6%. Aided by a rate increase in May, 1952, to a Pennsylvania subsidiary, net earnings of the parent company, amounting to $14.9 million, scored a gain of 22.4% over the previous year's net, and was equal to $1.81 a share on the average number of common shares outstanding, as compared, on the same basis, with $1.56 a share in 1951, and $1.58 in 1950. Net receipts from the Philippine subsidiaries amounted to 22 cents a share to bring last year's per share earnings to $2.03, as against $1.83 a share for the previous year. The company plans to divest itself of the Philippine properties, but until this is done it is the intention of the parent company to pay a "special dividend" quarterly out of net receipts from the Philippine subsidiaries. Substantial expenditures for plant expansion in recent years, have necessitated new security offerings, but capitalization remains conservative with only 45% debt and combined common stock and surplus being equal to 39.3% of the total.

DIVIDENDS: Since 1946 payments on the common stock have been progressively higher in each year. Currently, the quarterly rate is 35 cents, plus a special quarterly distribution of five cents a share.

MARKET ACTION: Recent price of 28½, compares with a 1952-53 price range of High—29, Low—20⅞. At current price the yield is 5.6%.

COMPARATIVE BALANCE SHEET ITEMS

	January 1 1946	September 30 1952 (000 omitted)	Change
ASSETS			
TOTAL CURRENT ASSETS	$ 58,710	$ 36,185	—$ 22,525
Plant & Equipment	438,892	613,844	+ 174,952
Investments	2,922	1,375	— 1,547
Exc. Subs. Invest. Over Net Assets	....	16,465	+ 16,465
Other Assets	4,471	2,895	— 1,576
TOTAL ASSETS	$504,995	$670,764	+$165,769
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 26,502	$ 43,652	+$ 17,150
Other Liabilities	3,677	2,599	— 1,078
Contrib. Aid Construct.	3,959	1,918	— 2,041
Reserve for Deprec.	80,888	100,488	+ 19,600
Other Reserves	14,202	4,061	— 10,141
Long Term Debt	190,028	250	— 189,778
Subsid. Long Term Debt	37,682	241,430	+ 203,748
Subsid. Preferred Stock	14,343	75,175	+ 60,832
Common Stock	67,476	45,493	— 21,983
Surplus	66,238	155,698	+ 89,460
TOTAL LIABILITIES	$504,995	$670.764	+$165.769
WORKING CAPITAL	$ 32,208	$(d)7,467	—$ 39,675
CURRENT RATIO	2.2	....	— 2.2

HOUSTON LIGHTING & POWER CO.

BUSINESS: Provides electric energy to the cities of Galveston and Houston, as well as to adjacent territories embracing 144 communities of various sizes and extensive rural areas, having a total population of approximately 1.2 million people.

OUTLOOK: The territory served by the company is one of the most active industrial sections of the country containing large oil and natural gas production and refining operations, and ranking high in the production of synthetic rubber, chemicals. Other activities include production of steel and steel products, paper, cement, magnesium, food processing, cattle raising, and growing of agricultural products. Reflecting growth of the territory industrially is the rapid expansion of the company's electric properties from $73.4 million at the close of 1946, to $179.7 million as at the end of 1952. During these years total kilowatt sales have more than doubled, increasing from 1.5 billion-k.w.h., in 1946 to 3.9 million-k.w.h., in 1952, of which approximately 70.3% of sales were to commercial and industrial users, 19% to residential and rural customers, and the balance to others Expenditures for new generating stations and other facilities in 1952 amounted to more than $25 million, followed by 1953 expenditures of about $24 million, with about $21 million scheduled for 1954, principally for additional generating stations, the last of which is expected to be in operation by 1956. Operating revenues amounting to $20.8 million in 1946 have risen steadily in each subsequent year to $47.6 million in 1952, with indications that a new all-time peak will be set for the current year. This is affirmed by gross revenues for the 12 months to Oct. 31, last, of $52.7 million, compared to $46.8 million for the preceding 12 months, with net income rising from $8.5 million for the earlier period to $10.2 million, equal to $1.98 a share for the common stock, compared with $1.72 a share for the corresponding months of last year, and $1.40 a share for the 1951 calendar year.

DIVIDENDS: The company has an unbroken dividend record going back to 1932. Since the 3-for-1 split in 1951, cash dividends have been increased to the current quarterly rate of 30 cents a share.

MARKET ACTION: Recent price of 28¼, compares with a 1952-53 price range of High—28½, Low—18¼. At current price the yield is 4.2%. This yield will be increased when the dividend is raised.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1943	September 30 1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 1,698	$ 11,082	+$ 9,384
Receivables, Net	1,514	3,605	+ 2,091
Materials & Supplies	621	2,299	+ 1,678
TOTAL CURRENT ASSETS	3,833	16,986	+ 13,153
Plant & Equipment	63,147	200,214	+ 137,067
Other Assets	2,322	2,351	+ 029
TOTAL ASSETS	$ 69,302	$219,551	+$150,249
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 6,606	$ 21,606	+$ 15,000
Other Liabilities	547	2,658	+ 2,111
Reserve for Depreciation	14,637	30,474	+ 15,837
Other Reserves	519	1,962	+ 1,443
Long Term Debt	27,500	90.000	+ 62.500
Preferred Stock	4,769	9,740	+ 4,971
Common Stock	10,000	36,788	+ 26,788
Surplus	4,724	26,323	+ 21,599
TOTAL LIABILITIES	$ 69,302	$219,551	+$150,249
WORKING CAPITAL	$(d)2,773	$(d)4,620	+$(d)1,847
CURRENT RATIO	....	....	....

AN EXPERT OPINION ON THE OUTLOOK FOR THE OILS

By W. L. Fentriss

The outlook and prospects for:
- ***producers,***
- ***integrated companies,***
- ***refiners,***
- ***domestic operators, and***
- ***international companies.***

On a background of cloak-and-dagger intrigue which brought the oil industry to its present great power, a leading authority on the Oils will bring you revealing facts on the changes taking place today in the various fields around the world. He will take up production and consumption requirements . . . the likely change in the price structure...the increasing competition... the factor of atomic energy in new calculations. He will pose and answer the question as to whether the oil industry has reached maturity, and point out the favorable and unfavorable factors affecting earnings outlook for the various divisions. The comparative position of the individual companies within these groups will be shown, with text and tables giving full data on debt, working capital and profit margins, plus earnings and dividend prospects, for 32 of the principal companies.

7 VITAL TESTS FOR EVALUATING DIVIDEND SECURITY

— As they vary in Industrials . . . Rails . . . Utilities

By Ward Gates

This extremely important article gives the 7 factors to look for in comparing the relative position of individual stocks within the respective groups, from the standpoint of profit margins and dividend stability under conditions to apply next year. It will enable investors to tell which companies are in the strongest position to meet adjustments that will take place in 1954 . . . which are likely to show declines, and even losses. Realistically presented, this feature is important for investors as it illustrates the basic requirements for safety in individual stocks in the period ahead.

5 SPECIALLY SELECTED STOCKS

— For safety of principal + assured high income

By Our Staff

This special group of stocks gives investors requiring a substantial income with a minimum of risk an investment in unusually stable issues with dividends securely covered by a wide margin of earnings. Valuable also for investors who desire to secure a temporary haven for funds at better-than-average income while waiting for an opportunity to purchase stocks for appreciation.

BANK STOCK OUTLOOK FOR 1954

By J. S. Williams

This special story discusses the factors that have brought about a steady advance in bank shares during 1953, and the earnings and dividend prospects stemming from the extension of branch facilities to suburban communities, and the expansion of small loans departments. This expert analysis also takes up the trend toward amalgamation, and offers a sound basis to other stockholders for appraising their advantages and disadvantages under new mergers. It will further cover major economic and financial trends in 1954, and indicate where possibilities exist for stock dividends in addition to cash.

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FOREIGN LOANS AND GOVERNME EFIC

—Why our Allies benefit from our erity
—and we stand alone in depre

By V. L. Horoth

This exceptionally fine and exclusive e cla
the position of the economy of the U Stat
relation to those of our Allies under to ondit
and shows that European economies ha eady
detached from the dollar to a considera egree
could readily be detached further — a n ent
— through import restrictions, taxes, oreign
change transactions.

In this feature, Mr. V. L. Horoth, outstanding in fo
trade and banking, explains how this can be d d goe
the matter of why Europe can undersell us in n ma
regardless of tariffs . . . the inroads they a ng o
trade in world markets . . . and recent exploi n ou
hemisphere, particularly in South America.

Realistic and timely, this story gives you a icture
situation about which there is so much con at a
when we must plan soundly to avoid deficit ng an
deal realistically with the countries that have be enefic
of American dollars.

● AN ANALYSIS AND APPRAIS F THE PRESIDENT'S THREE ME ES

—State of the Union, Budget, and Eco Repo

By Harold Dubois

PART I: An authoritative and realistic appraisal Presi
recommendations and what we can expect from ess in
important areas as future debt limits, defense iture
loans abroad, taxes, tariffs, shifts in defense sp alloca
to industry, farm and other subsidies, labor and
social security.

PART II: In this section we will discuss and
weigh the various factors of the Government's
standby program to lessen the impact of a pos
sible business recession, and to what extent the
timing is essential in making this program work
satisfactorily.

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Review Issues

Our January 9–23rd Iss

JANUARY S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

FEBRUARY

MARCH

Bringing Ahead

A REALISTIC AP TO 1954 SECURITY

By A. T. Mill

Tod is of the utmost importance term preservation of their capital four ve years, to recognize that are to be affected by the maj (1) nly because of the normal in ng ea and financial position of the nstruct (3) but also because of the ergy, a erging products that will re ntial ele involved, and tells you how to ha red inc also calls attention to the vario the ne , and whose long-term prospects strength *important study alone is worth on.*

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WHAT IS LOW MO

By I

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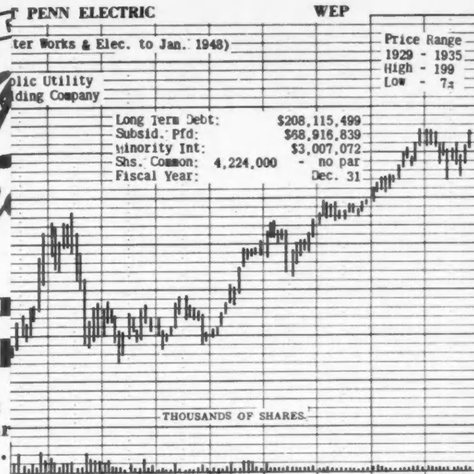


945	1946	1947	1948	1949	1950	1951	1952	1953	
.62	2.28	3.07	3.28	3.31	3.49	2.96	3.24	E3.30	EARN
-	-	-	1.00	1.52½	1.85	2.00	2.05		DIV.
6.6	16.5	16.0	15.7	16.4	12.9	21.2	25.9	Wkg Cap $ Mil	

E - Estimated earnings

THE WEST PENN ELECTRIC CO.

tric properties of company's subsidiaries comprise the and integrated West Penn Electric System serving the cipally in Maryland, Pennsylvania, and West Virginia, cent sections of Ohio and Virginia. Company also owns y Electric Co., created to furnish electricity to the Pike energy plant now under construction.

rd of the West Penn Electric System is one of constant during the postwar years has been especially rapid. s in the territories served have expanded and the nts in basic industries in the areas have broadened to System's industrial customers represent a good cross n's industrial activity. These represent important divi- steel, chemical, glass, gas and oil, non-ferrous metal ptive and commercial coal mining, and cement indus- ectric revenue has risen in each of the last 15 years, illion mark in 1952, doubling the 1943 volume. New d for 1953. For the first nine monthe of the current revenues of the System showed an increase of $6.1 the like period of 1952, or from $78.3 million to $84.4 greater demand from both residential and industrial , in the past five years, has expended for gross electric pproximately $189 million. Although part of this ex- through issuance of additional common stock in 1952, rly part of this year, increased consolidated revenues net income has offset dilution of common share earn- nine months of this year on the 4,224,000 shares now ual to $2.53 a share compared with $2.32 a share on tstanding at the end of 1952. Net for the full year is share, against $3.24 a share last year.

nts on the common stock have been on an ascending creasing from $1 a share in that year to the current 1953.

ecent price of 37, compares with a 1952-53 price range -29½. At current price the yield is 5.9%.

OMPARATIVE BALANCE SHEET ITEMS

	December 31 1943	September 30 1953 (000 omitted)	Change
curities	$ 23,799	$ 27,424	+$ 3,625
	3,537	9,969	+ 6,432
	2,242	13,070	+ 10,828
	420	4,268	+ 3,848
ETS	29,998	54,731	+ 24,733
	268,814	454,819	+ 186,005
	....	4,931	+ 4,931
	10,698	3,685	— 7,013
	$309,510	$518,166	+$208,656
ILITIES	$ 19,153	$ 33,471	+$ 14,318
	6,188	7,758	+ 1,570
ion	42,197	96,265	+ 54,068
	2,850	3,492	+ 642
	5,000	31,949	+ 26,949
id.	111,160	175,932	+ 64,772
	34,110	....	— 34,110
d.	43,017	68,917	+ 25,900
	32,485	60,813	+ 28,328
	13,350	39,569	+ 26,219
	$309,510	$518,166	+$208,656
	$ 10,845	$ 21,260	+$ 10,415
	1.5	1.6	+ .1

Can Pace Be Maintained By PAPER COMPANIES?

By JOHN D. C. WELDON

Paper and paperboard manufacturers' 1953 earnings reports are likely to make pleasant reading for the shareowners of most of the companies in the industry.

The year, opening on a note of caution that harbored some mild pessimism as a reflection of predictions of a general business recession sometime in 1953, but which failed to materialize, turned out to be one of the best years from the standpoint of production and sales. Earnings for the majority of companies showed gains over the preceding year and, in some instances, matched or surpassed the record 1951 boom year.

Through the greater part of the year now drawing to a close, paper production—fine and book papers, and the diversified products—held close to 98% of mill capacity. Despite heavy volume of production, inventories of paper, particularly book, coated and sulphite bonds, in the hands of converters, wholesalers and the printing trade, are believed to be at low levels, a condition that presages a high output of pulp and paper into the first quarter of the new year.

Paperboard mills are also expected to maintain early 1954 production at current year's level. Up to and including the week ended Dec. 5, last, combined average rate of activity of these facilities, held at 94%, although the rate slipped somewhat in recent weeks, falling to 86% during the week ended Nov. 28, compared to 95% in the week previous. There are indications, however, that demand, after brisk Fall business, is again rising, the rate of activity in the first week in December increasing to 88%. According to the National Paperboard Association, orders received in that week amounted to 307,305 tons, with unfilled orders remaining being equal to 438,182 tons. These figures compare with 192,667 tons in orders received and 374,435 tons in unfilled orders for the Nov. 28 week.

Neither weekly movement, up or down, can be interpreted as a trend. At this time, there is no basis on which to make a prediction as to the volume of business the paperboard manufacturers will experience during the coming year. Much depends upon the rate of activity among users of paperboard in the form of cartons and other containers for packaging the varied products of the nation's industries flowing into consumer markets. Undoubtedly, some users of paperboard, both large and small buyers, have been following a cautious policy in filling their needs, pending more definite indications of the 1954 trend in general business, and at the same time, believing that 1954 paperboard prices may be lower than those that prevailed through 1953, perhaps wiping out the $5 a ton price increase on paperboard effective last Sept. 1. That advance brought prices of all grades of kraft linerboard to $122.50 a ton, and corrugating stock to $127.50 a ton. These increases were the first put into effect at the mill-contract level since late 1950, and were considered by most producers to only partially offset increased labor and freight charges.

Paperboard Industry Strong

On the ability of the paperboard manufacturers to hold prices at current levels depends what they will show in the way of net profits in the coming year, assuming that wary buyers are wrong in their now less cheerful conclusions as to 1954 conditions in the industry, and that volume will hold close to this year's figure. An encouraging factor in the long-range outlook is the prospect for continued steady growth as paperboard is put to new uses. The rapid increase in the use of paperboard as a substitute for wood for shipping containers for agricultural products, hardware, beer in cans and bottles, and many other items, is taking an increasing quantity of mill output, and additional uses are likely to absorb increased production capacity.

This expanding use, together with the generally high volume of paperboard buying for older needs, is evident in net sales of the *Container Corp. of America* for the first nine months of the current year. Its gain for the period amounted to 7.1%, dollar volume of $141.5 million increasing from $132 million for the like period of last year. Profit margins, however, for the first six months felt the pressure of higher costs, and earnings fell to $2.39 a share for the common stock, as compared with $2.59 a share on the smaller first 1952 half-year sales

volume. Third quarter results were more encouraging, net increasing from $1.19 a share last year to $1.30, bringing total 9 months' earnings up to $3.69 a share, third quarter net being helped by the September price boost which should enable the company to finish the year with net paralleling 1952's $5.01 a share. Again as in 1952, dividends of 50 cents quarterly were supplemented by a year-end extra of 75 cents.

Container Corp., ranking as the biggest paperboard container manufacturer and the second largest paperboard producer, has achieved considerable postwar expansion, largely from internal funds, keeping pace with the increase in demand for paperboard products. It has, at the same time, kept its finances strong, the Sept. 30, 1953, balance sheet disclosing cash and U. S. Government securities totaling $14.6 million as part of $40.1 million of current assets which were more than four times total current liabilities. A moderate decline in 1954 business would be cushioned by the demise of EPT which is estimated will take $1.85 from this year's net profits. At current price of 43, the common stock is selling to yield a little less than 6.4%, and is to be rated as a good income producer with moderate growth prospects.

Gaylord Container Corp.'s earnings in the first half of 1953, were also somewhat depressed by higher labor costs, but third quarter results showed an improvement with the result that net income for the capital stock, equal to $2.10 a share, was up on the $2.06 a share reported for the first nine months of last year. Net shipments for the nine months of $67.9 million were 8.6% above those for the like months of 1952. Fourth quarter net should reflect the benefit of price increases in both kraft paper and liner board, justifying estimating net for the full year at $2.90 a share, providing ample coverage for dividends currently being paid at the rate of $1.50 a share annually.

In the postwar years, Gaylord, having spent approximately $30 million on new facilities, has developed into a well-integrated producer of kraft products, including bags as well as a full line of containers, wrapping paper and specialities. Its position is further strengthened by large southern timber holdings. Dividends at the current rate appear secure, and considering the 6% yield on the shares presently selling around 25, retention of the stock for long-range growth potentials is amply justified.

One of the best showings for the first 1953 nine months as compared to the 1952 like period is that made by *Sutherland Paper Co.*, net sales rising to $42.9 million, a gain of 15.6% over the 1952 first nine months' volume, with net income rising to $2.51 a share, despite a higher payout in EPT, as compared with $1.99 a share in the nine months to Sept. 20, 1952. On the basis of this showing, net for the full 1953 year is likely to approximate $3.35 a share for the 860,072 common shares presently outstanding. Sutherland, one of the largest paraffined cartons manufacturers, used mainly for the packaging and protection of foodstuffs, also has a diversified output consisting of paper pails, trays, dishes and cups. Its customers consist of several of the large meat packers, cereal manufacturers, dairies, bakeries, tobacco manufacturers and a variety of other processors. Growth has been fairly substantial in recent years, the latest planned addition to manufacturing facilities being a $2.75 million plant for the production of paper cups, plates and other specialties.

The company's balance sheet as of September 30, last, disclosed a good financial position. Cash and U. S. Government securities totaling $11.9 million comprised approximately 51% of total current assets of $22.4 million against current liabilities of $8.2 million. Excess profits tax for 1953 is estimated at $1.75 a share, the absence of which next year would provide a substantial cushion for net in the event of a decline in earnings. Sutherland has paid dividends in some amount in each of the last 28 years, the current rate being maintained at $1.50 a share annually since shortly after a two-for-one split in

Statistical Data on Leading Paper Companies

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range
	1951	1952	9 Mos. 1953	1951	1952	1953	Price	Yield	1952-1953
Champion Paper & Fibre	$ 4.30	$ 3.82[1]	$ 2.22[5]	$ 1.50	$ 1.50	$ 1.62	33	5.0%	34½-22¼
Container Corp. of America	5.91	5.01	3.69	2.75	2.75	1.75	44	4.0	45 -31⅞
Crown Zellerbach	3.88	3.52[2]	1.75[6]	1.55	1.60	1.65	34	4.8	35¼-24¼
Dixie Cup	3.56	3.02	2.98	1.52	1.60	1.65	41	4.0	41¾-29¼
Gair (Rob't) Co.	3.77	2.66	2.12	1.00	1.27	1.50	19	7.8	20⅜-15
Gaylord Container	3.39	3.01	2.10	1.50	1.50[8]	1.50	24	6.2	33¼-21¾
Great Northern Paper Co.	4.75	4.64	3.44	3.00	3.00	3.00	52	5.7	61¼-49½
International Paper	6.28	5.75	4.75	3.00	3.00	3.00[8]	53	5.6	59⅜-42¼
Kimberly-Clark Corp.	5.29	4.08[2]	2.13[6]	2.40	2.40	2.40	48	5.0	51⅛-39¼
Lily-Tulip Cup	6.72	5.96	5.58	2.37	2.50	2.50	74	3.3	77⅜-49
Marathon Corp.	3.29	2.18	1.55[3]	1.05	1.20	1.20	18¾	6.4	30½-16¾
Mead Corp.	5.16	4.97	3.22[7]	2.00	1.60[8]	1.65[8]	26	6.3	28⅜-21⅝
National Container	3.09	1.17	.86	.90	1.00	.60[8]	10	6.0	13¾- 9
St. Regis Paper	3.11	2.32	1.82	.80	1.00	1.25	20	6.2	24¼-16¾
Scott Paper	3.56	3.44	2.72	2.10	2.40	2.70	70	3.8	70½-49⅜
Sutherland Paper	2.95	2.74	2.51	1.30	1.50	1.50	29	5.1	32 -22¼
Union Bag & Paper	8.05	6.24	4.30	3.75	3.50	3.00	43	7.0	50 -38¼
West Virginia Pulp & Paper*	2.70	2.47	2.60[4]	1.00	1.00	1.00	23	4.3	23⅜-18

*—Hinde & Dauche Paper Co. acquired by West Virginia Pulp & Paper Co., in November, 1953.
1—Year ended March 31, 1953.
2—Year ended April 30, 1953.
3—Year ended October 31, 1953.
4—Estimate for year ended Oct. 31, 1953.
5—6 months ended September 30, 1953.
6—6 months ended October 31, 1953.
7—40 weeks ended October 4, 1953.
8—Plus stock.

the shares in June 1951. Currently selling around 29½, to yield 5.0%, the issue is worthy of retention for income and on a long-range basis for further growth.

Other companies in the paperboard, container and bag division of the paper industry include Hinde & Dauche which is now an operating division of West Virginia Pulp & Paper Co.; National Container, Robert Gair and Union Bag & Paper, the latter units being included in the accompanying compilation of earnings, dividend records, and other pertinent statistical data.

A minor downward trend has been established in North American production of newsprint. For the first nine months of the year, production came to 5,068,852 tons, of which 4,264,023 tons was Canadian production. This was approximately 1.2% less than for the same period the previous year. At the same time, consumption of newsprint increased moderately as indicated by figures for the first nine months which were 3,422,952 tons for reporting newspapers, with consumption of newsprint for all purposes in the United States at 4,503,884 tons. As of Sept. 30, 1953 the American Newspaper Publishers' Association reported an average of forty-nine days' supply, either on hand or in transit.

There is no doubt that major branches of the paper industry have experienced very substantial business during practically all of the year. However, minor recessionary indications have been appearing which would naturally be expected in line with the general adjustments taking place in industry, as a whole. As a matter of fact, the paper industry has been in a rather exceptional position in comparison with most others so that any downward reaction at this time could be considered in the nature of a belated response.

While mild tapering-off is anticipated in the early months of the new year, factors which should offer strong support are likely to continue in evidence. Among the most important of these is that the price situation is in relatively good balance as a result of the fact that inventory accumulations have tapered off which is in contra-distinction to the trend toward accumulation of inventories manifested in the earlier months of 1953. On the other hand, it must be remembered that average paper prices are now at about the highest point reached in the past year and that, in view of the general economic outlook, they cannot be expected to rise above present levels. In fact, some mild leveling off might reasonably be expected in following months.

While figures for the fourth quarter are not yet available, there is evidence that production of paper products has been maintained at quite close to the levels of the first nine months. An estimate for the full year would put general paper production at about 9-10% above last year.

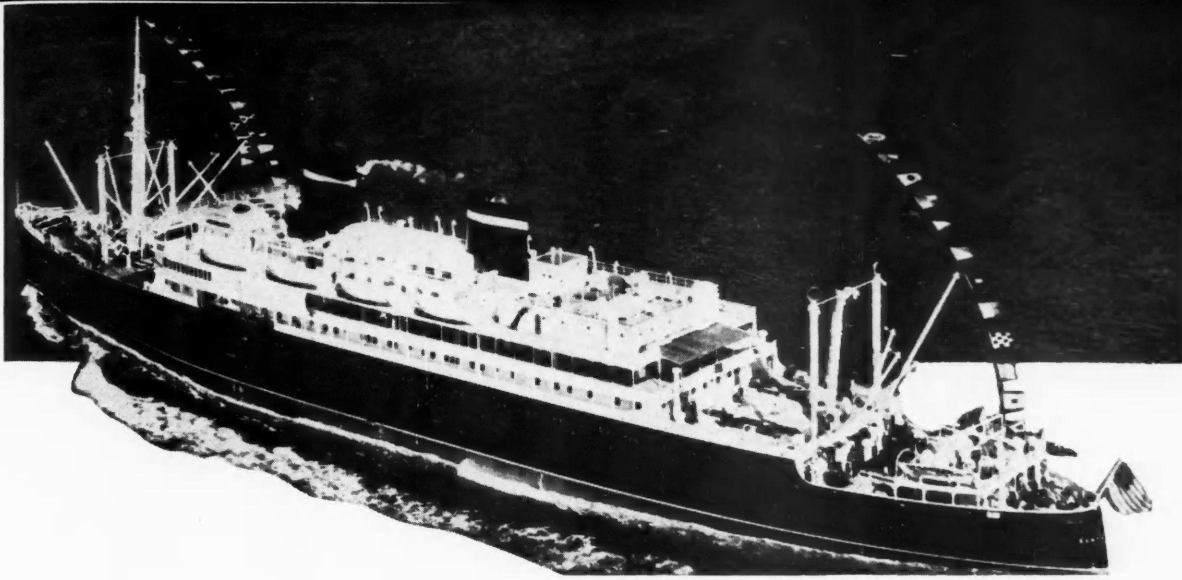
In the following we present a brief description of conditions among several of the larger newsprint makers:

International Paper, with diversified output of sulphites, kraft, paperboard and newsprint, holds its leadership as the largest of the paper companies. Steady expansion and modernization of plants, financed out of retained earnings, has fortified its position. Earnings of $4.75 a share for the first nine months of this year were made on net sales of $168.8 million, up from $153.8 million in the like period of last year when net was equal to $4.03 a share. Net for the final quarter should be helped materially by the September advance in paperboard prices and the 4% boost in kraft paper. A conservative estimate would place 1953 net at close to $6.25 a share, as compared with 1952's $5.75 a share. The company only recently paid a stock dividend of 10%, in addition to the usual quarterly cash distribution of 75 cents a share, the latter being a modest rate considering 1953 net and the good outlook for the coming year. Expiration of EPT would afford some protection of earnings next year inasmuch as this year's "take" under the excess profits tax law will amount to about $1.37 a share.

St. Regis Paper, with 1952 capital expenditures of more than $22.7 million that brought the eight year total spent for expansion and modernization to $134.3 million, has increased productivity of kraft pulp and packaging materials, printing and publication papers, and paper board. Reflecting this growth, net sales for the first 1953 nine months, totaling $148.5 million, gained 9.3% over $135.8 million in the like period of 1952. Net earnings for the 1953 period advanced to $1.82 a share, as compared with $1.55 for the previous period, the gain partly as a result of higher volume as well as improved efficiency offsetting, to some extent, higher wages and other costs. Final quarter results are expected to hold close to those of previous periods, indicating net for the full year equal to $2.40 a share, providing a sound base for the current dividend rate of 37½ cents a share, recently increased from 25 cents. Additional appeal is given the common stock of St. Regis by the oil potentials of its timber holdings, this being aside from the company's growth prospects as a pulp and paper manufacturer and its expansion into the production of laminated plastics.

Among the specialty paper companies, *Lily-Tulip Cup* is establishing new highs in net sales and net earnings, the latter being conservatively estimated for the current year at $6.75 a share, after allowing about $3.30 a share for EPT. Net sales for the first nine months at $45.7 million, were up by 17.5% over $38.8 million for the 1952 nine months. Factors contributing to the current year's showing were price increases on most products that went into effect last August and the unprecedented demand for drinking cups as a result of the hot and exceptionally dry summer. The company continues its efforts to develop new and improve present products, and strengthening its position in anticipation of the more competitive era in order to capitalize on the opportunities for growth. Current price of the stock around 74, to yield 3.3% on indicated annual dividend rate of $2.50 a share, appears to give recognition to immediate growth prospects.

On the whole, we do not regard the majority of paper company shares to be overvalued at current market prices, though subject to normal market fluctuations. Limited space prohibits giving readers a detailed analysis of all the companies covered in the accompanying table. The group, as heretofore, is selective, but of the issues shown, our analysis leads to the conclusion that in addition to those commented on in the foregoing paragraphs, among the more attractive shares are ***Marathon Corp., Kimberly-Clark, West Virginia Pulp & Paper,*** and from the longer- range viewpoint, ***Scott Paper*** and ***Crown Zellerbach.***



Diversification of W. R. Grace & Co.

By EDWIN H. CARTER

For the first time in its almost 100 year history, W. R. Grace & Co., shortly after its shares were listed on the New York Stock Exchange last February, issued an annual report for general distribution. Within the covers of this report the company sets forth a list of its principal activities in the United States, Central America and South America. The list reads like a miniature classified telephone directory, utilizing almost the entire alphabet to encompass the diversified operations of this great international industrial and trading organization.

A partial index to the Grace operations of what is tantamount to an industrial empire is its 1952 all-time high in gross sales and operating income of more than $284 million, surpassing the previous year's total by $19 million, and representing an increase over 1950's total of $199.6 million of 42.5%.

These revenues had many sources. They originated in the operations of the Grace National Bank of New York, a subsidiary; another subsidiary operating in the insurance brokerage field; the Grace Line, prime maritime link for passengers and freight between the United States, Central America and the North and West Coasts of South America, and the Pan American-Grace Airways, 50% owned, operating over an air route between this country and Argentina. Also contributing were the Grace cotton and rayon textile mills in Peru and Chile; two Peruvian sugar estates also producing molasses, alcohol and other sugar by-products, and trilladoras or coffee bean plantations in Colombia.

The foregoing constitutes only a partial list of Grace interests. A relatively short time ago, the company began experimenting in the manufacture of paper from sugar cane bagasse. Results led to the erection of the Paramonga Mill in Peru that last year produced 16,700 metric tons of paper products, near-capacity operations to satisfy the needs of the Peruvian market, allowing a small part of production to compete successfully in foreign areas. At the same time, the integrated multiwall bag plant and the Lima bag and box factory continued their successful records of the previous year by producing 14.5 million multiwall bags, 106 million grocery bags, and 6.6 million corrugated boxes. Paint factories in which the company is interested in Colombia, Peru and Chile, also continued production at a high level, showing good operating results in terms of both volume and profit. (*Please turn to page* 396)

Pertinent Data – W. R. Grace & Co. and Subsidiary Companies

	1951	1952
	(Millions)	
Total Current Assets	$131.0	$139.5
Total Current Liabilities	59.1	57.7
Net Working Capital	71.8	81.8
Land, Buildings, Marine Property & Equipment	105.0	118.4
Accumulated Depreciation	53.3	60.2
Net Property	51.7	58.2
Total Assets and Liabilities	227.1	252.0
CAPITALIZATION: (Authorized—$60 million)[1]		
Long Term Debt	3.4	23.4
6% Cum. Preferred Stock	4.0	4.0
8% Cum. Preferred Class "A" Stock	5.0	5.0
8% Non Cum. Pfd. Class "B" Stock	4.0	4.0
Common Stock (2,610,000 Shares)[2]	26.1	107.9
Combined Surplus	104.3	107.9

1953 Price Range: 33⅜-24¾

Recent Price: 26⅞

1953 Dividend; $1.60

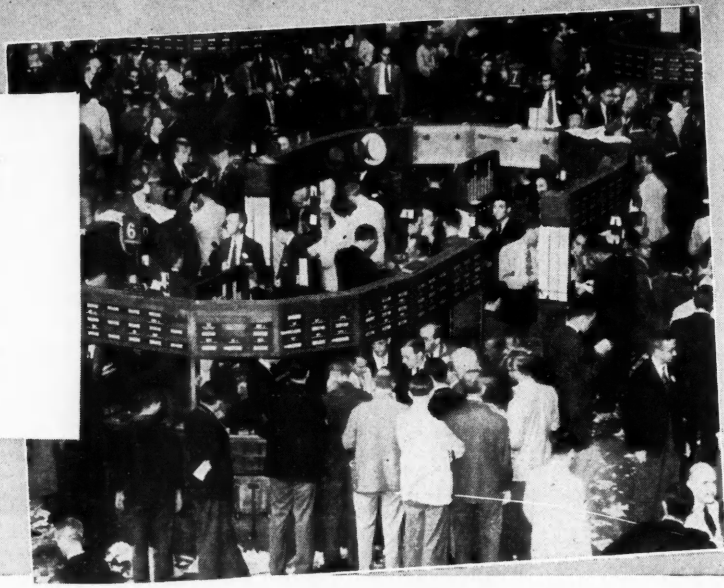
Div. Yield: 5.9%

Net Tangible Per Com. Share 1951—$49.97 1952—$51.79

1—September 16, 1953 Authorized Capitalization increased to $100 million.

2—An additional 600,000 shares authorized for issuance in exchange for assets of other companies, including Thurston Chemical Co.

FOR PROFIT AND INCOME



Test

The Dow industrial average has had some net advance in January in 36 years, declines in 21; the rail average, advances in 34 years, declines in 23. Since the market spends more elapsed time rising than falling, on a long-term average basis, the moderately favorable January record is less impressive than the reverse tendencies in February, in which industrials have declined in 32 years, risen in 25; and in which rails have lost ground in 34 years, gained in 23. The "traditional" year-end rise usually runs into some portion of January. The timing of the January high has varied greatly. On average, despite exceptions, it tends to come late in the month in bull markets, early in the month in bear markets or in trading-swing markets, especially when the technical position has been weakened, as in the present instance, by a substantial autumn rise carrying into December. It may be reasoned that a good deal has already been "borrowed" from any 1953 year-end move. Hence, the test of early-January performance will bear watching, particularly with some deferred profit taking invited by lower taxes.

Rails

It appears highly unlikely that the bull cause will get any help from the market performance of the rail section. It has for some time been inferior to that of industrials and utilities. Rails have neither the upward profit trend of utilities, nor the tax-relief cushion of some industrials. Because of rigid costs and the leverage in capitalizations, earnings can shrink considerably even in moderate business recession. Earnings have passed their peak, with the year-to-year comparisons steadily less favorable. Car loadings are trending down from a year ago. The roads face another round of wage demands. Some have begun to lay off help. In short, the picture is less favorable for this portion of the market.

Market of Stocks

With performance of the averages indecisive at this writing, it is, as usual, a "market of stocks"—some strong, some weak, some neither. You make or lose money, of course, in stocks, not the averages. Stocks which recently have been showing special strength include American Chicle, Aluminum Company, Beneficial Loan, Sunbeam, Carrier, Wrigley, Life Savers, Hilton Hotels, Otis Elevator, Houston Lighting, Boston Edison, Detroit Edison, Borden, Anchor Hocking Glass, General American Transportation, Gillette, Pabco and Scott Paper. Among the many sagging to new lows have been virtually all of the tobacco issues, International Nickel, Artloom, City Products, Cone Mills, Collins & Aikman, Grayson Robinson, Royal Typewriter, Scovill, Oliver and Texas Gulf Sulphur.

Auto Parts

The "Big Three" automobile makers are moving steadily toward greater integration. Among other things, it involves making more parts; buying less from suppliers. Already far along this

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Abbott Laboratories	Quar. Sept. 30	$ .82	$ .61
American Natural Gas	12 months Sept. 30	3.55	2.16
Texas Gulf Producing	Quar. Sept. 30	1.01	.68
Superior Steel Corp.	Quar. Sept. 30	.80	.42
American Water Works Co.	9 mos. Sept. 30	.90	.57
Bristol-Myers Co.	Quar. Sept. 30	.41	.16
Cincinnati Milling Machine	16 weeks Oct. 3	3.70	2.68
Merritt-Chapman & Scott	9 mos. Sept. 30	4.27	1.47
Revere Copper & Brass	9 mos. Sept. 30	6.14	3.72
Fairchild Engines & Airplanes	Quar. Sept. 30	.59	.28

road, General Motors evidently is going further, with indicated plant outlays of hundreds of millions. Ford plans capital outlays of $500 million or so in 1954, according to press reports. The Chrysler purchase of Briggs, its body supplier, is likely to be followed by other integration moves. All of this suggests less business for, and more price pressure on, makers of auto parts. At least in the case of the smaller and semi-marginal concerns in this field, there is nothing to be said for holding the stocks.

Top Dog

We have opined before that General Motors will stay on top in the fight for the automobile market, and that any stake in the industry should be confined to this stock under presently foreseeable conditions. With the stock on a current yield basis of 6.4%, it should be a better buy than sale. Taking major tax relief into account, it would not be surprising if 1954 earnings equalled 1953's estimated $6.75 to $7 a share, if 1954 dividends equalled 1953's $4, and if the stock rose above present level of 60 before 1954 is out.

Casualty

Although the aircraft stock group is near its bull-market high, Beech Aircraft fell from a 1953 high of 16¾ to a recent low of 9, a decline of 46%; and is currently at 10⅜. What happened? Answer: the Government cancelled all orders for the company's T-36 trainers last June as one minor step in its defense-economy drive, and pared orders for the Beech T-34 plane in September. In October the company passed its dividend. This example emphasizes the speculative nature of aircraft stocks, since earnings are so greatly dependent on Government orders. Of course, the risk is bigger in the case of a small company than a big one. In terms of military preference for plane types, Boeing and North American Aviation are in the strongest position. In terms of diversification, United Aircraft is strongest.

Good Yield

For some time we have been recommending Beneficial Loan here for yield. It recently rose to a new all-time high of 39¾ and is currently at 38⅜. Considering the stability of the business and promise of further gradual growth of loan volume, via expansion of number of offices in this country and Canada, the stock is still moderately priced at a yield basis of about 6.25% on a secure $2.40 dividend. At 1946 bull-market high of 32¼, it sold on about a 4.1% yield basis, the dividend then being only $1.33. Prior to 1946 the stock often sold at yields of 7% or more, with some investors either having scruples against the small-loan business or not much confidence in its prospects. Practically every bank makes small loans. If running a bank is a respectable business, so is running a small-loan company. As regards stability, it may be noted that since Beneficial Loan was formed by merger of older companies in 1929, it has had good profits and paid good dividends every year. It has taken a long time, but the stock is now gradually gaining in investment "acceptance". On an intrinsic basis, it is just as good a stock as are a number of income issues selling on yields of 4½% to 5½%.

Contrast

General Foods, leader in the packaged food field, is priced at 59½, down slightly from recent new bull-market high of 61½, which was the highest top since 1929, when the stock reached 81¾. The stock is priced at about 13.8 times estimated current-year earnings, to yield about 4.45% on a presently indicated dividend of $2.65, including a 15-cent extra. On the other hand, Standard Brands, second largest in the business, is priced at 28½, about 9.5% times estimated 1953 earnings, to yield 5.96% on a $1.70 dividend basis, including a 10-cent extra. On superficial inspection, Standard Brands would appear to be the cheaper of the two stocks. However, you get about what you pay for in the market, as elsewhere; and the investment consensus that General Foods is more attractive than Standard Brands is not without foundation. Both have long unbroken dividend records. However, the Standard Brands dividend is only 35% of highest previous annual payment, 68% of the 1937 payment and 85% of the 1948 payment. The General Foods dividend is 88% of the highest previous payment (1929) and about 132% of the 1937 and 1948 payments. Sales have risen 420% since 1939, compared with 230% for Standard Brands; and over 47% since 1949, against about 36% for the smaller company. The operating margin of General Foods in the postwar years 1946-1952 averaged 9.5% of sales, that of Standard Brands about 5.6%. The latter is importantly dependent on yeast, malt and distillery products; the former more broadly diversified. Aided by lapse of EPT, General Foods may well net $5.25 to $5.50 a share, a new peak, in the fiscal year starting next April 1; and pay at least $3 in dividends. Standard Brands has no tax-relief "kicker". The stock is well under highs set in a majority of past years. Its sequence of major highs has been: 1929, 179; 1937, 65; 1946, 55; 1953, 29⅜. That is a long-term "bear" pattern. For General Foods, although it remains under its 1929 high, the post-1929 sequence has been: 1937, 44¼; 1946, 56⅛; 1953, 61½.

Sunbeam

Operating in a highly competitive field (manufacture of small electrical appliances), the record of the relatively small Sunbeam Corp., has been and remains outstanding. Sales rose from $7.4 million in 1937 to $66.4 million in

(*Please turn to page* 396)

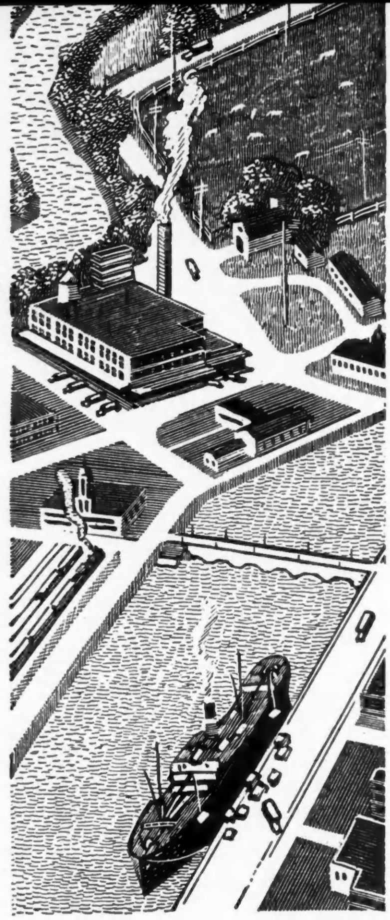
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
New Jersey Zinc	9 mos. Sept. 30	$1.47	$5.12
Capital Airlines	Quar. Sept. 30	.77	1.27
United Air Lines	Quar. Sept. 30	1.51	1.72
Cerro de Pasco Corp.	9 mos. Sept. 30	.97	5.76
Eureka Williams Corp.	Quar. Sept. 30	.23	.38
Standard Rwy. Equip. Mfg.	Quar. Sept. 30	.35	.53
American News Co.	9 mos. Sept. 30	.30	.94
Diamond T Motor Car Co.	9 mos. Sept. 30	1.47	1.77
Fajardo Sugar Co.	Year July 31	.61	2.89
McCall Corp.	Quar. Sept. 30	.43	.75

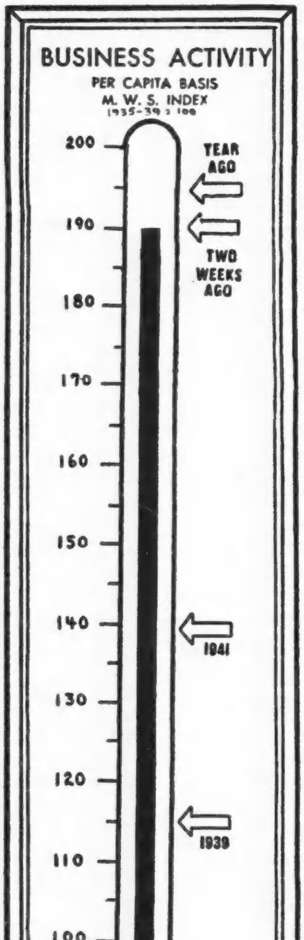
The Business Analyst

What's Ahead for Business?

By E. K. A.



The high degree of stability in the general commodity price structure over the past year, in the face of mounting supplies and some recent tendency for sales at all levels to slacken, has influenced numerous business men and investors to believe that relative price stability is likely to continue indefinitely. In view of the present abnormally high level of prices generally and the historical tendency for prices to decline following wartime and postwar inflation, assumptions that stability has been attained could prove to be costly.



No collapse in prices, such as that in 1920-21, is likely even if the downtrend in industrial activity and consumer incomes is accelerated somewhat in the months ahead. But, if the downtrend continues, the new year may not be very old before sufficient price easiness develops to become a source of concern. If business volume drops and pressure on prices becomes fairly common while costs remain high, profit margins may be squeezed sufficiently to offset or more than offset the benefits accruing from the end of the excess profits tax. Hence, the price trend is of special importance at this time.

Unquestionably, the further building up of inventories during most of 1953 by manufacturers, wholesalers, and retailers in expectation of continuing increases in sales volume was a contributing factor to commodity price stability. During 1953, as closely as can be judged from available data, both the physical volume and dollar value of business inventories increased about 5 percent. This lifted stocks in the Fall to a new record high.

A substantial part of the postwar boom in industrial activity has gone into building up business inventories — estimated at approximately $80 billion at the end of October — and into building up invisible inventories in the hands of the consuming public. Production for the past few years has been running in excess of actual consumption in the case of consumers' durables and possibly to some extent in the case of nondurables.

Christmas trade fell short of retailers' expectations, an unfavorable sign. While retailers looked for gains of 5 to 10 percent over 1952, the final returns probably will show that the volume was no greater than in 1952 and possibly slightly smaller. The usual tendency for consumers to spend freely at the Christmas season was curbed by the slight contraction in national income during recent months and by some uncertainty over the outlook for employment and income in the months ahead.

As 1953 drew to an end, there was evident a distinct tendency on the part of business at all levels to reduce inventories. This was inevitable in view of the disturbing downtrend, although slight to be sure, in sales volume at the factory and retail levels. Although consumer savings are large and atlhough the official Washington view is that consumers will dip into savings sufficiently to maintain retail sales volume at earlier 1953 levels, consumer caution appears to be increasing. A further indication of this is in the near halt to the long rise in consumer credit.

Further contraction of business inventories appears likely, particularly if retail business early in the new year—always slow after the Christmas splurge—falls under the levels of a year earlier. Over the past twelve months, inventories of finished goods have increased substantially and there is ample room for contraction of placement of orders with manufacturers and for contracting production while manufacturers' finished goods inventories are reduced to levels deemed safer in the light of changed conditions.

(Continued on page 398)

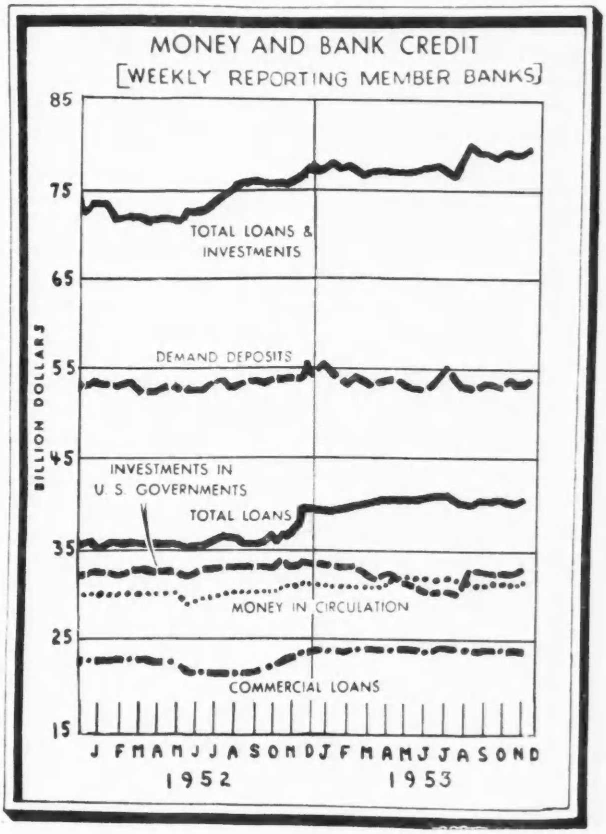
The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—Borrowers have been rushing to market in recent weeks to secure funds before the year draws to a close and some financing records will be broken this month. The General Motors offering of $300 million of twenty-five year 3¼% debentures, biggest loan ever publicly floated by an industrial corporation, captured the interest of investors and was immediately over-subscribed on December 9. Its high quality and above-average redemption premium proved attractive enough to bring the bond to a 1 point premium in short order. This month has also seen the completion of an even bigger bond sale, the American Telephone Company's financing via rights to stockholders to buy twelve-year 3¾% debentures, which are convertible into common stock. When the rights expired on December 10, no less than 99% of them had been exercised, netting the company some $594 million, to be used for further expansion of telephone facilities. Success of this offering was a foregone conclusion as the conversion feature made the bonds worth far in excess of their offering price.

States and municipalities are not being left behind in the scramble for new money. In fact, plans have been set to sell over $500 million of this type of security in the week ending December 18, an amount that would be large, even for an entire month. The week starts off with scheduled sale of $121.2 million of new Federally guaranteed housing bonds of local authorities. By December 17, underwriters will really be hopping with $379.8 million of bonds on the offering calendar for that day, the biggest single day of offerings ever to hit the municipal market. The feature will be sale by the Indiana Tool Road Commission of $280 million of forty-year revenue bonds to finance a 156 mile highway from Indiana to the Western terminus of the Ohio turnpike. Indiana's sister state of Michigan is coming to market the same day as the Mackinac Bridge Authority opens bids on $99.8 million of bridge revenue bonds, completing the list of big issues for the week.

December's heavy offering schedule has not depressed the market for seasoned bonds. On the contrary, corporates have been steady and Treasuries have scored an impressive upturn in recent weeks, including eleven days of consecutive advance. The strong bond market in the face of large new offerings is no paradox but reflects the righ rate of saving, the lag in direct borrowing from the banks by business and the continuation of Federal Reserve purchases of Government securities, thus augmenting bank funds available for investment.



TRADE—Pre-Christmas retail trade has not been expanding as fast as expected at this season. Some of the blame for this situation is being put on the ten-day newspaper strike in New York City and a walk-out in Pittsburgh that affected department and furniture stores. The dollar value of retail trade for the country as a whole in the week ending Wednesday, December 9, was still about 2% ahead of the corresponding 1952 week, although New England and the Eastern states fell 1% under last year, according to estimates by Dun & Bradstreet. Apparel demand was steady while sales of household goods lagged behind 1952 levels.

The Commerce Department reports that total retail sales in November, after seasonal adjustment, were 2% ahead of October although unchanged from a year ago.

INDUSTRY—Industrial output has started December with a further slide-off. The MWS Business Activity Index for the week ending December 5 stood at 190.1% of the 1935-1939 average, which compares with 191.4% for the month of November. Downward tendencies are noticeable in coal production, freight car loadings, lumber shipments, and paperboard output. Steel operations are also heading downward with the rate for the latest week—that ending December 12—at 86.5% of capacity. This compares with a 92.3% rate one month ago.

COMMODITIES—Average commodity prices for the week ending December 8 were unchanged from the week before according to the index of primary market prices compiled by the Bureau of Labor Statistics which closed at 110.1% of the

(Please turn to following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Nov.	3.7	3.9	3.6	1.6
Cumulative from mid-1940	Nov.	529.7	526.0	476.3	13.8
FEDERAL GROSS DEBT—$b	Dec. 9	275.0	275.1	267.2	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Dec. 2	54.4	54.3	54.4	26.1
Currency in Circulation	Dec. 9	30.9	30.8	30.4	10.7
BANK DEBITS—(rb3)**					
New York City—$b	Nov.	54.3	54.2	47.5	16.1
344 Other Centers—$b	Nov.	91.7	92.3	84.4	29.0
PERSONAL INCOMES—$b (cd2)	Oct.	287	286	277	102
Salaries and Wages	Oct.	196	196	187	66
Proprietors' Incomes	Oct.	49	49	51	23
Interest and Dividends	Oct.	23	23	21	10
Transfer Payments	Oct.	15	14	13	3
(INCOME FROM AGRICULTURE)	Oct.	16	16	19	10
POPULATION—m (e) (cb)	Oct	160.5	160.2	157.8	133.8
Non-Institutional, Age 14 & Over	Oct.	111.9	111.8	110.1	101.8
Civilian Labor Force	Oct.	63.4	63.6	63.1	55.6
unemployed	Oct.	1.2	1.2	1.3	3.8
Employed	Oct.	62.2	62.3	61.9	51.8
In Agriculture	Oct.	7.2	7.3	7.3	8.0
Non-Farm	Oct.	55.1	55.0	54.6	43.2
At Work	Oct.	60.6	59.6	59.9	43.8
Weekly Hours	Oct.	42.4	40.0	42.5	42.0
Man-Hours Weekly—b	Oct.	2.57	2.38	2.55	1.82
EMPLOYEES, Non-Farm—m (lb)	Oct.	49.6	49.6	49.1	37.5
Government	Oct.	6.8	6.7	6.7	4.8
Factory	Oct	13.6	13.8	13.6	11.7
Weekly Hours	Oct	40.3	39.9	41.4	40.4
Hourly Wage (cents)	Oct.	178.0	178.0	170.8	77.3
Weekly Wage ($)	Oct.	71.73	71.02	70.38	21.33
PRICES—Wholesale (lb2)	Dec. 8	110.1	110.1	109.6	66.9
Retail (cd)	Sept.	210.3	210.1	211.1	116.2
COST OF LIVING (lb2)	Oct.	115.4	115.2	114.2	65.9
Food	Oct.	113.6	113.8	115.0	64.9
Clothing	Oct.	105.5	105.3	105.6	59.5
Rent	Oct.	126.8	126.0	118.8	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Oct.	14.1	14.0	14.2	4.7
Durable Goods	Oct.	5.0	4.9	4.8	1.1
Non-Durable Goods	Oct.	9.1	9.1	9.4	3.6
Dep't Store Sales (mrb)	Oct.	0.83	0.81	0.87	0.34
Consumer Credit, End Mo. (rb2)	Oct.	28.2	28.0	24.1	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total **	Oct.	22.4	22.4	24.2	14.6
Durable Goods	Oct.	9.9	9.9	11.5	7.1
Non-Durable Goods	Oct.	12.4	12.6	12.7	7.5
Shipments—$b (cd)—Total**	Oct.	24.8	24.9	24.8	8.3
Durable Goods	Oct.	12.2	12.2	12.0	4.1
Non-Durable Goods	Oct.	12.6	12.7	12.8	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Oct.	79.0	79.3	74.2	28.6
Manufacturers'	Oct.	46.3	46.5	43.4	16.4
Wholesalers'	Oct.	10.7	10.6	10.1	4.1
Retailers'	Oct.	22.1	22.3	20.7	8.1
Dept. Store Stocks (mrb)	Oct.	2.5	2.5	2.4	1.1
BUSINESS ACTIVITY—1—pc	Dec. 5	190.1	191.3	194.4	141.8
(M. W. S.)—1—np	Dec. 5	233.6	235.1	234.9	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 389)

1935-1939 average. Farm products lost 0.5% in the latest week but this was offset by a rise in processed foods. Among industrial commodities, lower prices were posted for gasoline, kerosene, lubricating oils and hides while tin, rubber and animal fats were higher.

* * *

Businessmen are planning to maintain the pace of capital expansion at close to record levels, according to a survey conducted last month by the Commerce Department and the Securities and Exchange Commission. Expenditures for **NEW PLANT AND EQUIPMENT** in the first quarter of next year are scheduled at a seasonally adjusted annual rate of $28.0 billion, down a little from the $28.5 billion rate of this year's second half, but better than the $27.2 billion rate of the first quarter of 1953. Industries which are planning to increase their capital outlays in the first quarter of next year include public utilities and commercial companies while small declines in this type of spending are expected for manufacturing, mining, railroads and other types of transportation. Outlays for new plant and equipment this year will reach $27.8 billion, a new high and $1.3 billion ahead of 1952 expenditures.

* * *

Manufacturers shipped 6,134,819 **PASSENGER CAR TIRES** in October, a 2.3% drop from September shipments, the Rubber Manufacturers Association has reported. Tire output rose 7.4% in October to 6,529,241 from 6,081,726 tires turned out the previous month. With production ahead of deliveries, inventories of tires in manufacturers' hands rose 4.3% to 10,941,065 tires. A year ago, producers had 8,243,888 on hand. In the first ten months of this year, 70,517,472 tires have been produced, a good advance from the 61,791,583 tires made in the corresponding 1952 period.

* * *

Expenditures on **NATIONAL ADVERTISING** rose again in October and Printers' Ink index of such advertising, corrected for seasonal variation, rose to 531% of the 1935-1939 average from 524% the month before. The October figures represent a 12% gain in outlays over the corresponding 1952 month and are 1% ahead of September. Advertising in weekly magazines reached an all-time high in October with a 9% year-to-year gain while network television was 38% ahead of last year. The only media to show a decline from a year ago were radio with a 13% drop and farm

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	Oct.	231	232	230	174
Mining	Oct.	161	169	164	133
Durable Goods Mfr.	Oct.	304	301	300	220
Non-Durable Goods Mfr.	Oct.	194	196	195	151
CARLOADINGS—t—Total	Dec. 5	662	596	719	833
Misc. Freight	Dec. 5	354	317	365	379
Mdse. L. C. L.	Dec. 5	65	56	72	1,566
Grain	Dec. 5	44	38	44	43
ELEC. POWER Output (Kw.H.) m	Dec. 5	8,583	8,138	8.165	3,266
SOFT COAL, Prod. (st) m	Dec. 5	8.2	7.4	10.2	10.8
Cumulative from Jan. 1	Dec. 5	422.4	414.2	434.1	44.6
Stocks, End Mo.	Oct.	82.6	81.0	78.0	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Dec. 5	6.2	6.2	6.5	4.1
Gasoline Stocks	Dec. 5	150	150	129	86
Fuel Oil Stocks	Dec. 5	51	51	51	94
Heating Oil Stocks	Dec. 5	130	133	114	55
LUMBER, Prod.—(bd. ft.) m	Dec. 5	231	198	245	632
Stocks, End Mo. (bd. ft.) b	Oct.	8.6	8.3	8.3	7.9
STEEL INGOT PROD. (st) m	Nov.	8.7	9.5	9.4	7.0
Cumulative from Jan. 1	Nov.	103.7	95.0	83.4	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Dec. 10	655	294	241	94
Cumulative from Jan. 1	Dec. 10	14,610	13,954	15,367	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Dec. 5	307	193	340	165
Cigarettes, Domestic Sales—b	Sept.	34	35	35	17
Do., Cigars—m	Sept.	558	498	527	543
Do., Manufactured Tobacco (lbs.)m	Sept.	19	18	19	28

PRESENT POSITION AND OUTLOOK

magazines, down 2%. The decline in use of the latter medium indicates that advertisers are concentrating less on the farm market where income has been declining for some time.

* * *

Deliveries of new domestic **FREIGHT CARS** dipped to 6,137 in November from 8,727 in October, according to a joint announcement by the American Railway Car Institute and the Association of American Railroads. New orders for freight cars crept up a little to 2,860 from 1,705 cars ordered the month before, but were still way below deliveries. The order backlog for freight cars shrank again last month, falling to 31,869 on December 1 from 35,171 on the books a month earlier. At the beginning of this year, producers had unfilled orders for 80,296 cars.

* * *

October shipments of **FABRICATED STRUCTURAL STEEL** amounted to 289,755 tons, the highest figure reported since October, 1929, according to the report of the American Institute of Steel Construction. New orders during October dropped to 191,180 tons, a decrease of 12% from the previous month but 4% ahead of October, 1952. At the end of the month, the backlog of work ahead came to 1,927,240 tons which compares with 2,266,875 tons worth of orders on the books a year earlier.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, total consumer credit. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 cnters. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1953 Range High	1953 Range Low	1953 Dec. 3*	1953 Dec. 11
300 COMBINED AVERAGE	215.5	177.2	192.7	189.6
4 Agricultural Implements	263.3	184.1	186.7	184.1
10 Aircraft ('27 Cl.—100)	415.6	330.3	390.7	394.3
7 Airlines ('27 Cl.—100)	693.9	499.1	544.5	512.1
7 Amusement	95.5	76.4	85.9	84.2
10 Automobile Accessories	289.4	213.8	237.2	234.6
10 Automobiles	49.4	39.0	42.3	40.4
3 Baking ('26 Cl.—100)	28.0	23.0	23.7	23.0
3 Business Machines	377.4	311.4	337.1	333.4
2 Bus Lines ('26 Cl.—100)	224.7	170.2	224.7	221.3
6 Chemicals	396.9	337.9	373.3	369.3
3 Coal Mining	15.4	9.3	9.5	9.3Z
4 Communications	69.3	58.6	64.3	62.4
9 Construction	72.3	57.9	63.4	62.7
7 Containers	519.4	456.9	504.9	495.3
9 Copper & Brass	175.4	125.3	140.9	136.2
2 Dairy Products	103.2	82.3	102.3	103.2A
5 Department Stores	63.2	55.3	57.1	55.9
5 Drugs & Toilet Articles	235.2	203.8	230.7	230.7
2 Finance Companies	410.0	341.8	402.8	398.8
7 Food Brands	200.4	185.0	190.8	190.8
2 Food Stores	128.3	113.0	128.3	127.1
3 Furnishings	79.2	59.6	62.6	62.6
4 Gold Mining	760.0	522.1	548.5	541.9

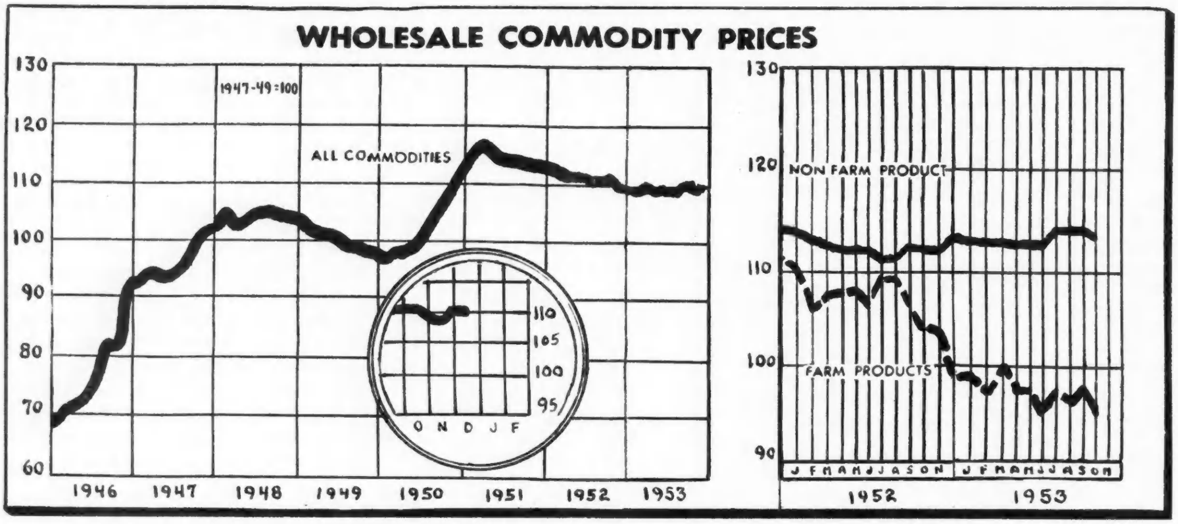
(Nov. 14, 1936, Cl.—100)	High	Low	1953 Dec. 3*	1953 Dec. 11
100 HIGH PRICED STOCKS	133.5	114.4	125.1	123.5
100 LOW PRICED STOCKS	260.5	203.7	221.7	217.3
4 Investment Trusts	112.7	93.1	101.9	99.7
3 Liquor ('27 Cl.—100)	967.8	811.1	894.0	866.4
11 Machinery	240.6	181.0	210.8	206.2
3 Mail Order	128.6	101.0	113.0	108.2
3 Meat Packing	101.7	78.7	87.5	86.6
10 Metals, Miscellaneous	284.5	198.4	208.8	208.8
4 Paper	474.8	394.9	465.9	461.4
24 Petroleum	463.4	376.5	413.2	408.6
22 Public Utilities	196.2	173.8	196.2	196.2
8 Radio & TV ('27 Cl.—100)	36.9	28.3	30.8	28.6
8 Railroad Equipment	64.1	49.1	53.9	52.1
22 Railroads	53.2	41.8	43.8	42.8
3 Realty	52.4	42.3	51.5	52.4
3 Shipbuilding	299.6	228.7	297.3	288.2
3 Soft Drinks	407.5	339.0	376.6	373.2
11 Steel & Iron	151.4	122.8	135.7	132.8
3 Sugar	59.8	47.1	47.7	47.1
2 Sulphur	625.9	525.5	561.0	543.3
5 Textiles	162.2	104.6	106.3	106.3
3 Tires & Rubber	89.7	70.4	84.6	83.8
5 Tobacco	105.2	85.4	89.9	85.4Z
2 Variety Stores	319.5	291.8	291.8	291.8
16 Unclassified ('49 Cl.—100)	125.7	97.0	105.3	104.1

A—New High for 1953. Z—New Low for 1953.

*—Thursday's close used because of New York newspaper strike.

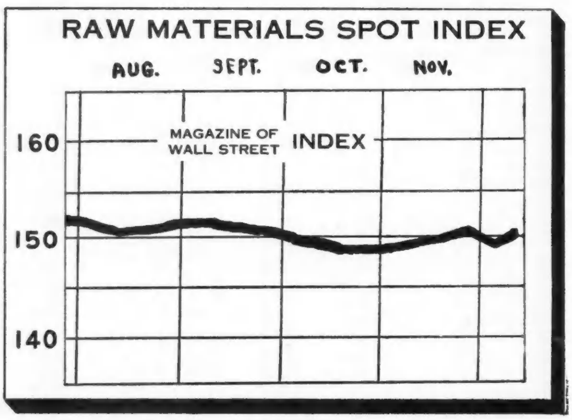
Trend of Commodities

Commodity futures advanced again in the two weeks ending December 14, although most of the gain was made early in the period. The Dow-Jones Commodity Futures Index closed at 162.87 on December 14, up from 160.49 at the end of November. May wheat gained 2¼ cents in the period under review to close at 206, after being as high as 211⅞ on December 7. Impoundings of wheat under the Government loan reached 407 million bushels on November 15, up from 350 million bushels a month earlier. The Commodity Credit Corporation also owns outright, no less than 427 million bushels of wheat from previous harvests. This makes a total of 834 million bushels under Government control with the loan still open until January 31. It thus appears that "free" supplies of wheat will not be adequate to satisfy demand although the Government could ease the situation by deciding to sell some of its holdings. Of course if the price of wheat were to rise to a point where it would be more profitable to sell it on the open market, then farmers would reclaim their loan wheat and augment supplies in that way. May corn lost 3½ cents in the two weeks ending December 14. Profit-taking has been in evidence since the high was reached on December 1, at which time the grain was more than 23 cents above its low of 138⅜ reached in August. Underlying conditions still look good with consumption expected to expand while entries into the loan should continue heavy. July cotton lost 26 points in the fortnight under review to close at 32.98 cents. The Agriculture Department has raised its crop estimate by several hundred thousand bales but many observers feel this will just mean more cotton going into the loan.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

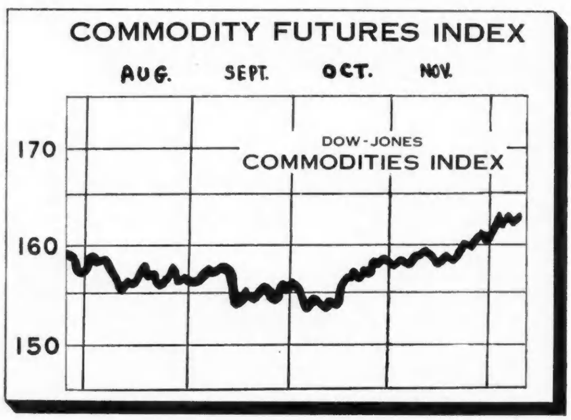
	Date Dec. 14	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	88.2	88.4	90.3	89.9	53.0
9 Foodstuffs	95.6	95.4	99.3	84.8	46.1
3 Raw Industrial	83.3	83.7	84.5	93.5	58.3
5 Metals	88.3	89.7	89.4	107.8	54.6
4 Textiles	88.0	86.5	88.5	92.1	56.3
4 Fats & Oils	70.5	70.0	71.5	56.3	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.9	160.0	176.4	98.6	58.2	48.9	47.3	54.6



Average 1924-26 equals 100

	1953	1952	1951	1945	1941	1939	1938	1937
High	170.1	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.7

Keeping Abreast of Industrial and Company News

Woman's invasion of what has been heretofore exclusively man's domain is literally forcing him to take to flight. **United Air Lines,** since last April, has offered him a refuge by operating daily DC-6 trips between New York and Chicago, exclusively for men who enjoy traveling in a club-like atmosphere. The company estimates that about 17,000 male passengers have utilized this service since its inauguration and to the close of 1953. Except for two stewardesses, a strictly masculine environment prevails.

When properly formulated into auto polishes and waxes, silicone fluids will help produce protective surfaces that are easily applied, producing a greater lustre and will last longer. Tests conducted by Central Laboratories of **Atlas Powder Co.,** and **General Electric,** have recently shown that silicones can be incorporated into typical cosmetic foundations without entailing radical changes in manufacturing processes or equipment. The potential applications of new alcohol-soluble silicones include lipstick, hair dressings, cold creams and hand creams, permitting a sharp increase in water repellency and protective action against detergents.

"Sucaryl" calcium sweetener, in handy powder form, has been introduced by **Abbott Laboratories** for persons who follow low-salt as well as low-sugar diets. Like the liquid and tablet "Sucaryl", the powder leaves no bitter aftertaste and is non-caloric. While the tablets and liquid "Sucaryl" cook right into any food at any temperature, the new powder is for use solely for sweetening ready-to-eat foods or fruit. One teaspoonful of the powder, packed in a 2-ounce sifter-top container that fits easily into pocket or pocketbook, is equivalent in sweetening power to six teaspoonsful of sugar.

By 1958, 80% of American homes, new as well as remodeled, will be using fluorescent lighting. This is the prediction of **Westinghouse Electric Corp.,** lighting experts. Fluorescent bulbs, the most economical artificial light source yet developed, supply three times more light per watt, than incandescents, and also have about seven times the life.

"Sundown" farmers are increasing in number as more and more people turn their backs on city life to the more arduous perhaps, but still more pleasant and active living that is possible in the "country". According to **Sears, Roebuck & Co.,** there are more than two million families living on acreages ranging from three to 30 acres in suburban communities and on the outskirts of large cities. Among these people are the "sundown" or part-time farmers who devote holidays and the evening hours before darkness to landscaping their "estates", raising vegetables, nursing lawns, and, in some instances, raising poultry. Sears, a pioneer in the development of equipment for the "sundown" farmers now promises to make his lot a happier one by introducing a new riding tractor which will be introduced in its 1954 spring general catalog. The new device will have a unique three-wheel construction and 12 implements permitting all kinds of crop work – plowing, planting and cultivating, lawn-mowing and snow removal.

Because of added fuel capacity and cruising speed of 365 miles an hour, faster than any piston-powered transport in the world, **Douglas Aircraft Co.'s** new DC-7B planes, it is said, will be capable of flying from New York to London in a little more than 10 hours. It is estimated that their flight from San Francisco to Honolulu will consume about 7 hours and 42 minutes, and from New York to Buenos Aires, with two stops, 18 hours and 47 minutes. These transports will be able to fly a full load of 52 passengers, plus baggage, cargo and mail, 4000 miles non-stop, with nearly 1,000 gallons of reserve fuel remaining. **Pan American World Airways** has purchased a fleet of seven of DC-7B's, to cost approximately $14 million, and expects to have them in service sometime in 1955. They will be powered by four **Curtiss-Wright TC18DA4** turbo-compound engines yielding a total of 13,000 horsepower.

Among the many features of **General Motors Corp.'s** 1954 line of Pontiacs are optional accessories that include power brakes utilizing atmospheric pressure and engine vacuum, a front seat that may be tilted forward or back, up and down, and moved forward and backward, enabling drivers to adjust the seat position for maximum comfort, and an air conditioning system that feeds cooled outside air that is not re-circulated and is always clean. Automatic window control, powered through the ignition switch, thus preventing operation of windows when the car is unattended, is also available.

Some 3,000 pipeliners, many of them working more than 12 hours a day, early this month laid the 500th mile of an 860-mile line that will carry natural gas from southern Louisiana to the area served by the **Columbia Gas System.** Gulf Interstate Gas Co., owners of the $129 million pipeline, estimates that the entire project will be completed by November, 1954. When in full operation the line will be capable of delivering up to 375 million cubic feet of gas daily. One of the major physical barriers that was overcome was the crossing of the Mississippi River. To assure continuous deliveries across the two miles of swiftly flowing water, four lines were laid 40 feet under the river bed, a job that took six months and cost $3 million.

How Safe Are High Yield Stocks?

(*Continued from page* 374)

HOWARD STORES: Company operates a chain of low-priced men's clothing stores, and manufactures nearly all of its merchandise. Competitive nature of business and rising costs have narrowed margins. Earnings trend downward for several years. Recent monthly sales unfavorable, due partly to contra-seasonal weather. Near-term outlook clouded, hence dividend coverage somewhat questionable.

INTERLAKE IRON: Leading producer of merchant pig iron, with output including commercial coke and by-products. Company has iron ore and coal interests. Profit margin narrowing. While this year's earnings should approximate 1952, soft spots have appeared in pig iron market and prospects over early 1954 months are less favorable. Good financial position and dividend can be maintained.

KELSEY-HAYES: Bulk of sales represented by automobile wheels, normally to General Motors and Ford. Products include motor vehicle and farm equipment parts. Intensified automobile competition over coming months may narrow profit margins further, resulting in lower earnings. Recent years good earnings gives support to continued payment for time being.

LEHN & FINK: Sales during current fiscal year ending June 30 expected to continue as good as past year, which were best in company's history. Sales since April have shown a slight decline but sales of Christmas merchandise is increasing. Dividend coverage adequate but stock is speculative.

LERNER STORES: Operates a chain of retail shops selling women's popular priced apparel. Children's departments are maintained in 125 stores out of total chain of about 214 stores. Earnings expected to show a moderate increase this year. Dividend coverage appears fairly adequate and supported by further moderate growth prospects.

LIBBY, McNEIL & LIBBY: Produces and sells food products, principally canned goods. Industry earnings often vary widely reflecting inventory gains or losses on price movements. Competition is intense requiring extensive advertising. Demand over coming months appears satisfactory. Current regular quarterly dividends expected to continue but future extras are uncertain. Stock is speculative.

MAYTAG CO.: Manufactures automatic and wringer washing machines and dryers; distributes Dutch oven gas ranges, home freezers and ironers. Earnings this year expected to be moderately lower than 1952. Company will benefit by expiration of excess profits tax. The 40 cent quarterly dividend should continue, but competition in field is severe and the stock speculative.

MULLINS MANUFACTURING: Produces metal enameled washing machine tubs, kitchen cabinets, bathroom equipment, automotive stampings and miscellaneous stampings. Also a large producer of artillery shells, made by its "Koldflo" process for the cold extrusion of steel. This latter process has good commercial applications and may contribute substantially to future income. Earnings prospect over coming months somewhat uncertain but present dividend expected to be maintained for time being.

MURRAY CORP: Severe competition in auto body and household products fields and smaller demand next year expected to be reflected in smaller volume but broadening of markets through new acquisitions is a constructive factor. Though maintenance of present $2 annual dividend expected for the time being, longer term outlook uncertain.

NATIONAL ACME: Near term outlook for this machine tool company continues satisfactory. Substantial backlog of orders supports earnings prospects. Earnings in 1953 probably higher than last year. Company will benefit by demise of excess profits tax. Present dividend coverage is adequate but industry is cyclical and stock speculative.

NEW YORK AIR BRAKE: Second largest American manufacturer of air brakes and brake replacement parts for railroad locomotives and freight and passenger cars. Also produces high pressure hydraulic pumps for aircraft, etc. Profits have held up well this year but business is cyclical and expected to decline next year. Present dividend should continue as based on satisfactory finances.

OLIVER CORP. Lower farm income is reflected in sharply lower earnings for this farm equipment company. Recently quarterly dividend was reduced from 30 cents to 15 cents. Oliver has recently acquired the Be-Ge Manufacturing Company, manufacturers of farm machinery and construction equipment. Stock is highly leveraged and thus subject to wide market swings.

POND CREEK POCAHONTAS: A bituminous producer, fully mechanized, coal of good quality. Production mainly for use by utilities and for space-heating, by-product coking. While the outlook for coal industry is not satisfactory, the position of this company is aided by demand for metallurgical coal; increasing supply from new Kentucky mines should support volume. The $1.00 quarterly dividend is uncertain and payments over longer term equally not assured.

PRESSED STEEL CAR CO. Business has been diversified in recent years through acquisition of several steel fabricating concerns outside of the railway equipment field. Sales of freight cars now represent less than half of consolidated sales. Earnings for the first nine months up sharply, while current dividend is covered adequately the past poor record of the company and the cyclical nature of the industry gives long-term dividend prospects an uncertain cast.

ST. LOUIS-SAN FRANCISCO RAILWAY: Operates principally in the states of Missouri, Oklahoma, Kansas, Arkansas and Alabama. Lines form the shortest routes between most of the important centers in the states served. Current earnings approximate last year's good results. Dividend maintenance over near term expected but longer term outlook is obscure. Stock is speculative.

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Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Armco Steel Corporation

"Steel stocks have been market laggards so please report whatever earnings figures are available on Armco Steel thus far this year and also recent operating rate and dividend payments."

S. M., New Haven, Conn.

Armco Steel Corporation earned $10,042,784, after all charges and taxes in the third quarter of 1953. This equals earnings of $1.93 per share on the 5,213,645 shares of Armco common stock now outstanding.

For the third quarter of 1952, Armco reported earnings of $7,740,292, or $1.49 per share on the 5,213,567 shares of common stock then outstanding.

During the first nine months of 1953, Armco's earnings after taxes were $26,121,317, equal to $5.01 per share. In comparison, net earnings for the first three quarters of last year were $22,305,678. This was equal to $4.28 per share.

In the nine months ended September 30, Armco earned a total of $72,514,368 before taxes, compared to $52,013,943 before taxes in the same period of 1952. Although most of the steel industry was shut down during the two-months strike last year, Armco continued to operate at about 50% of capacity.

Total sales for the first three quarters of 1953 were $445,072,438, as compared with $366,829,084 for the same period of 1952.

Armco was recently operating at about 95% of ingot capacity and the company expects to maintain that rate for the remainder of the year.

Dividends in 1953 totalled $3.00 per share, the same as paid in 1952.

Savage Arms Corporation

"Please furnish data as to book value, recent earnings and dividends of Savage Arms Corporation. I understand they paid a stock dividend recently and I would like to get the particulars of this distribution."

S. T., Greenwich, Connecticut

The unaudited consolidated profit of Savage Arms and its subsidiary, C. B. Hill & Company, Inc. during the third quarter and for the first nine months of 1953, compared with similar figures for 1952 as follows: For the third quarter of 1953 profit before Federal and State taxes were $738,216, reserve for Federal and State taxes $362,815, net profit $375,401, equal to 53 cents per share. This compares with third quarter 1952 profit before Federal and State taxes of $1,291,233, reserve for Federal and State taxes $723,056, net profit $568,177, equal to 81 cents per share.

For the nine months of 1953 profit before Federal and State taxes was $2,523,719, reserve for Federal and State taxes $1,383,108, net profit $1,140,611, equal to $1.62 per share. For the first nine months of 1952 profit before Federal and State taxes was $2,754,644, reserve for Federal and State taxes $1,523,480, net profit $1,231,164, equal to $1.75 per share.

As of September 30, 1953, the book value per share of the corporation stock was $22.50 and the net quick assets per share were $17.91. The comparative figures on the same date in 1952 were $21.31 and $15.24 respectively.

The loss caused by a strike ending September 29, which had closed the Chicopee Falls, Massachusetts plant of the corporation for eight days, and smaller margins of profit on the products shipped during the third quarter of 1953, resulted in a smaller net profit than was realized during the same period last year.

On October 28 the Board of Directors declared a cash dividend of 25 cents per share payable November 28 to stockholders of record at the close of business November 12. The Board also declared a stock dividend, similar to the 5% stock dividend declared in November 1951, payable on December 5th in common stock of the corporation held by it in its treasury to stockholders of record November 12 at the rate of one share of such treasury stock for every 20 shares of common stock issued and outstanding of record at the close of business on said record date. No fractional shares of such stock will be issued, but, in lieu thereof and in full discharge of any obligation of the corporation with respect thereto, there will be paid to each stockholder who, by reason of its holdings will otherwise be entitled to a fraction of a share of such stock, a sum in cash equal to the value of such fraction based upon the price of a share of such stock on the New York Stock Exchange as reflected by the mean between the high and low sales prices of such stock made on such stock exchange under record date or, if no sale was made on that date, then based upon the average of the bid and asked prices of such stock on said stock exchange at the close of business on the record date. The

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How Safe Are High Yield Stocks

(*Continued from page* 394)

SIMMONS COMPANY: Leading American manufacturer of general bedding equipment. Supplemental lines include outdoor and juvenile furniture and furniture for hospital, school, hotel and maritime use. Earnings this year expected to show a moderate increase over 1952. Current dividend coverage ample but stock is volatile.

UNITED ENGINEERING & FOUNDRY: Builder of heavy machinery and equipment for producing rolled and pressed steel in various forms. Also producers specialized equipment to make paper, rubber, plastics and other machinery used in grinding, pulverizing, mixing, etc. Backlog of orders reduced. Present dividend coverage only fair but good financial position permits continuation.

VAN NORMAN COMPANY: Manufactures machine tools and automotive service equipment. Earnings have held up well thus far this year. Dividends are currently covered by good margin. Business is cyclical and stock is volatile with uncertain longer term outlook.

VAN RAALTE COMPANY: Specializes in the manufacture of women's hosiery, underwear, and fabric gloves. Earnings this year expected to approximate 1952 results. Current dividend coverage only about fair. Competition in industry is intensifying. And group is volatile.

WARNER BROTHERS PICTURES: Company has announced plans to use CinemaScope process developed by Twentieth Century Fox Film Corporation on 16 major productions, five of which are currently in production or about to be produced. Earnings depend on boxoffice success of new releases. The industry has become more speculative than ever. High dividend yield indicates uncertainty as to continuance.

WHEELING STEEL: Principally a manufacturer of lighter types of steel. Chief customers are the container, building, automotive and metal fabricating industries. Earnings have increased substantially this year. Dividend coverage is good but smaller operating rate expected in 1954. Leverage is provided by large senior charges. Industry is cyclical and stock is volatile.

WHITE MOTORS: Increased shipments, wider profit margin and gain on sale of some assets raised profit sharply for first nine months of this year. Company has good record in its group. Acquisition of Autocar will benefit earnings. Current dividend is expected to continue, but business is keenly competitive and stock is speculative.

WORTHINGTON CORPORATION: One of the leading manufacturers of heavy machinery and equipment. The manufacturing of pumps accounts for about 30% of sales volume. Recent diversification is helpful factor. Air conditioning and refrigerating and ice-making equipment add growth prospects. Earnings this year are holding close to 1952 results. Current dividend coverage good, but business is cyclical and stock volatile.

For Profit & Income

(*Continued from page* 387)

1952; and probably will set a new record for 1953. Earnings rose from 63 cents a share in 1937, to $5.51 in the lush year 1950, receding under increasingly competitive conditions to $3.36 in 1952. However, with trade inventories in sounder position, they showed a year to year gain of over 50% in the first nine months of 1953, indicating a sharp full-year gain over 1952 results. Showing confidence in the trend of the company's fortunes, the management recently voted a 10% stock dividend; and a 65-cent year-end extra, against 50 cents a year ago, bringing 1953 cash payments to $1.65, a new peak. Responding to the dividend news, the stock, which has long been rated by many analysts as a "growth" issue, rose to a new all-time high of 37, and stands within a fraction of that figure at this writing. The secret of this company's success is high-quality products, efficient manufacturing, and national advertising of trade-marked items marketed on a price-maintenance basis. Therefore, the recent Supreme Court decision upholding state fair-trade laws is favorable for Sunbeam. Its products, with all names preceded by Sunbeam, include Mixmaster, Coffeemaster, Shavemaster, Egg Cooker, Automatic Toaster. Baby Bottle Warmer, Rain King Lawn Sprinkler, and Clipmaster (animal hair trimmer).

Walker

In the liquor business, earnings reached a high postwar peak in 1950, receding sharply through 1952. In some cases, improvement is indicated in 1953 results. On the combined basis of earnings, dividends and market results, the performance of Hiram Walker has been the best in this field. Net reached $9.68 a share in 1950, receding to $5.43 in 1952, and recovering to $6.62 in the fiscal year ended last August 31. The company paid $3.75 in dividends, including a 75-cent extra, out of 1953 net of $6.62; against $2.30 out of 1950 net of $9.68—the more liberal policy reflecting more comfortable finances and less need for building up whiskey inventories. The stock is at 50⅛ in a 1951-1953 range of 56½-42¼, yielding about 7.5% return. The company's best-known whiskey brand is Canadian Club, which is in the unusual position of being in short supply. Most of its various other brands are also making a good, although less outstanding, competitive showing. The semi-speculative stock—there are no investment-grade stocks in the distilling field—has merit for a high yield.

W. R. Grace & Co.

(*Continued from page* 385)

In Vina del Mar, Chile, another subsidiary, known throughout the South American republic as "Coia" operates as a triple industrial unit, producing refined sugar, vegetable oils and shortenings and paints, its 1952 operations and profits showing substantial increases over the previous year. One of Colombia's newest and most promising enterprises is the Grace subsidiary's new plant for the manufacture of candies, biscuits and cookies under the "La Rosa" brand that has won acceptance in the Colombian market, furnishing favorable prospects for future profits. The company has a similar but older plant in Peru that operated last year with increased profits.

Even the briefest comment on the varied industrial and other activities of W. R. Grace & Co., throughout Central and South America would take considerable space. At Arequipa, Peru, wheat from abroad and corn from the Andes slopes are the raw materials that the Santa Clara mill turns into flour and meal. At the Paramonga paper mill a caustic soda-chlorine-muriatic acid plant operated last year on a three-shift basis, with satisfactory operating profits. In Bolivia, subsidiaries operate a cement plant, as well as two flour mills that produced net profits in 1952 substantially above those of the preceding year.

The International Mining Co., another subsidiary, owns mineral rights on Bolivian properties, consisting of 10,457 acres containing high grade wolfram (tungsten) ores and mixed wolfram and tin ores in such quantities as to assure stable production for the mill of 300 tons of ore capacity a day for many years to come; a tin mine of 6,800 acres from which daily production has been averaging 50 tons of ore, and a third property of 2,631 acres, containing an estimated reserve of 88,000 tons of mixed copper, scheelite, zinc and other minerals. The company owns at the first two mines hydro-electric facilities, compressor units and other necessary equipment for the processing of ores. A total of 13,700 acres of farming country near the mines are also owned.

Through various subsidiaries, the Grace company conducts an extensive business, importing and exporting a wide range of products from all parts of the free world, including the distribution of machinery, business machines and office equipment in Central and South American countries for many large American manufacturers, some of these being General Electric, Ingersoll-Rand, Royal Typewriter and Socony-Vacuum. Several of these import-export subsidiaries also distribute food stuffs, lumber and building supplies, and many other products.

The company, alert to investment opportunities in profitable growth industries, has continued to expand, especially within the past year when it got its development program into high gear. An accomplishment of considerable significance was the creation of the Grace Chemical Co., as the operating vehicle for new chemical ventures. The initial project will consist of a $19 million nitrogen plant, close to Memphis, Tenn., to produce ammonia and urea for agricultural and industrial purposes. Present plans provide for a production of 250 tons of anhydrous ammonia per day from natural gas, of which 100 tons can be converted into 150 tons of urea daily, beginning sometime in the summer of the coming year.

Ths direct entry into the chemical field is another link in the interest of W. R. Grace & Co. in the chemical industry. Through a wholly-owned subsidiary, the Naco Fertilizer Co., of West Va., it manufactures mixed fertilizers, superphosphate, sulphuric acid and mixed insecticides. Another wholly-owned subsidiary, the Naco Fertilizer Co. of California produces dry mixed commercial fertilizers and insecticides dust. The Grace company also owns $2 million in 3½% notes of the Dewey & Almy Chemical Co., a principal manufacturer of sealing compounds, plastic packaging film and various other chemical specialties, operating manufacturing plants throughout the world. Immediately after Jan. 15, 1954, these notes, at the option of either company may be converted into common stock of Dewey & Almy. Should such conversion take place Grace would then own less than 10% of Dewey & Almy's outstanding stock, but it might mark the first step toward bringing the company into the Grace chemical fold in much the same fashion as it acquired control of The Davison Chemical Corp.

That acquisition got under way back in 1951 when Grace made an initial investment in the 50-year old Davison company. Gradually, this interest was increased until now Grace owns more than 51% of Davison's common stock, permitting the advantageous inclusion of the company into the circle of Grace subsidiaries. Davison, principally a producer of agricultural, industrial and specialty chemicals, has scored rapid growth in the last four fiscal years, net sales increasing from $34.9 million for the year ended June 30, 1950, to $56.5 million for the 12 months to June 30, 1953. During the same period net income expanded from $2.1 million to just under $3 million, the equivalent of $3.27 a share for its common stock.

Within the last few months, Grace has widened its direct activities in the chemical field through the acquisition, by an exchange of stock, of the Thurston Chemical Co., which is now a Grace division, producing superphosphate and mixed fertilizers. In Brazil, the company, in association with the American Home Products Co., and the Instituto Medicamente Fontoura S. A., has organized a new company, in which it holds 55% interest for the manufacture, as the initial operation, of an insecticide and caustic soda-chlorine. The new plant will have an annual capacity of 4 million pounds of DDT, vitally needed for that country's agriculture and public health services. This product is expected to find a ready market in Brazil's growing economy, while output of caustic soda, in which Brazil is not self-sufficient, will aid the textile and chemical industries there. Eventually, this Brazilian enterprise is expected to expand into related fields of chemical manufacturing in that growing country, further developments already being in the planning stage.

Meanwhile, the chemical research and development program which lead to the creation of the Brazilian chemical enterprise and the formation of the Grace Chemical Co., continues, with several important new projects currently under examination, particularly in the petrochemical field.

Well entrenched in its numerous and varied established activities in this country and in the lands south of the border, the Grace company's entry into important new enterprises, especially since 1952, signals the advent of a new era of growth and affording such possibilities that rank the common stock, on a long-range basis, as belonging in the category of growth issues.

In the absence of interim earning reports in 1953, it cannot be stated with any degree of accuracy as to what consolidated net profits of the company will amount to for the year now coming to a close. It has been definitely stated by the company, however, that earnings in the first nine months were "substantially better than the $6 million net earned in the corresponding months of 1952. For the full 12 months of that year, consolidated

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W. R. Grace & Co.

(*Continued from page* 397)

net, exclusive of equity in earnings in excess of dividends from non-consolidated subsidiaries, was equal to $2.65 a share for the common stock. This compares with $2.45 a share earned in the previous year, before adding 44 cents a share representing an unusual capital gain in the form of net profit from sale of certain properties and securities.

Year-end Dividend Adds to Total Payments

Against these earnings, dividends on the common stock are currently being distributed at a quarterly rate of 40 cents a share, having been maintained at this level following the 3-for-1 split in December, 1949.

From the time the issue was listed on the New York Stock Exchange in February, 1952, it has moved within a price range of 34 and 24¾. The current price of the shares is around 26⅞, where it yields a return on the $1.60 annual dividend rate equal to 5.9%. (Editor's Note: Just prior to our going to press, W. R. Grace & Co., declared a year-end extra dividend of 15 cents a share for the common stock, raising 1953 total payments to $1.75 a share.)

As We Go To Press

(*Continued from page* 370)

The FTC presumably will hold later hearings, but *the spade work is being done now. And that's important.*

The anttirust laws and their enforcement procedures are under examination with a report to Attorney General Herbert Brownell due in about six months. Some changes in legislation are expected. Principal attention, however, is likely to be given policies. *Antiquated, costly, and time destroying procedures will be eliminated where not essential to enforcement* of the statutes against unlawful combines and practices.

Into this study will go about 10 *months of work on the history of the basic act and its amendments.* Recommendations are expected to include the proposal that prosecution be confined to a single unit within the Department of Justice (today, the same practice could result in charges by any one of several agencies with the result that multiple proceedings harass business.) The committee's study has been nationwide in scope, with *searching study given actions in 26 lines of business.* Serving, in addition to technicians, are 60 prominent men *drawn from the fields of economics, law, business, industry, and agriculture.*

Complaints against the antitrust division have been numerous. On behalf of the division it must be agreed it has lost few of its cases; likewise it must be cited that *"consent decrees" have ended many of the larger ones—respondents have preferred to "have it over" and get on with business.* Congress has repeatedly received resolutions asking for investigation of the antitrust statute and its application. *Some of these complain the Department of Justice makes things too rough for business; some say it is too soft* and overlooks situations which should have attention.

The Business Analyst

(*Continued from page 388*)

Considerable pressure on prices of finished goods, particularly consumers' durables, already is apparent at the retail level and this may extend to the manufacturer level if sales contract further. In fact, some slight irregular easing already has been noted. Pressure on prices of materials, even including the "protected" farm products, is likely to be resumed if manufacturing operations contract further to reduce the demand therefor. No acute downward price spiral could get under way under present conditions of high level government defense spending, but there nevertheless are enough unfavorable factors in the general price situation to touch off a fair amount of price easiness.

Who—When—What—Pointers on Buying High-grade Low Yield Stocks

(*Continued from page* 367)

however, has become a rather badly abused term and requires some clarification. Almost every stock of an expanding company is a "growth" stock but since a tremendous number of companies in America have expanded rapidly in the past decade, it is obvious that this definition covers too wide a territtory. For our purposes, in describing the *What* of the *Who-When-What*, the term "growth" stock refers specifically to the dominant corporations in American industrial life, examples of which are listed in the accompanying table.

These companies all share the same characteristics: They are the leaders in their respective

fields as respecting total assets and volume of sales; they have grown steadily from year to year upon an ever-broadening foundation of research and development of new products; all have extensive plans for future expansion; and finally, they possess in common managerial techniques of the most modern and advanced order.

This combination of characteristics, typical of the most superior type of "growth" stocks, is the best guarantee of future growth. They are not to be confused with companies whose main claim to distinction is that they are of great size. The meat-packing companies, for example, do an enormous volume of business but obviously do not belong in the growth category.

As dominant concerns, the true growth companies are bound to share in the cyclical expansion of this country and can meet any competition that comes along owing to their overwhelming strategic position.

We have now seen that the *What* in the problem of investing under modern conditions is bound up with the *Who*. The *Who* in this case is the investor of substantial means and the *What* is the stock of unimpeachable growth potentials. The bond between the two consists of two factors: one, high income taxes which force the larger investor into low-yield stocks, in this case "growth" stocks; and, two, the potentials for capital appreciation which, from the market standpoint, is the outstanding characteristic of "growth" stocks of the right kind.

Timing of Investment

We can now approach the problem of *When*. Since the larger investor in buying low yield growth stocks is interested principally in long-term capital appreciation, the question of "timing" of investment becomes relatively unimportant; especially if investments in these securities are made over a period of years. It is true that the investor may, through premature purchase, subject himself to the normal fluctuations of the market and he may even suffer temporary "paper" losses in the process. This will not matter materially, particularly if he adopts the type of investment program best suited to attaining long-range objectives.

Such a program is best effected through the technique known as "dollar averaging." This is the method whereby stocks (generally quite limited in number depending on the capital available) are bought in fairly even amounts at more or less regular intervals during the year and which are added to, in the same fashion, during the years following.

The advantage of "dollar averaging" is that it makes the investor less dependent on his judgment in selecting the proper time for investment, since in spacing his purchases at different intervals over a period of years he is more likely to obtain a comparatively satisfactory average base for his total investment than if he concentrated his total investment in a single issue at one time only.

The table which accompanies this article shows clearly how "dollar averaging" would work out in six instances of leading "growth" stocks over the past three years. The investments are made twice a year and in equal numbers of shares. According to the table, our investor, corresponding to normal experience, would not have been lucky enough to have made his investments at near the lowest prices possible but more likely, nearer the higher prices. Nevertheless, even on the basis of this comparatively poor performance in timing, the average cost of his investments in the period 1951-1953 would have been sufficiently low to have permitted profits varying from fair to substantial, with only one minor exception. Since this investor will presumably maintain these investments on a long-range basis, there is no reason to suppose that his ultimate profits will not be even more substantial though this may involve waiting for some years. This he will expect as part of his program. This supposition, of course, is based entirely on the hypothesis that he has (a) made the right selection and (2) that this country is going to reach ever higher peaks of prosperity in the years to come despite temporary interruptions.

From this brief discussion, it (*Please turn to page* 400)

Who—When—What—Pointers on Buying High-grade Low Yield Stocks

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will be seen that the *Who, What, When* and *How* are all tied in together. In any case, it will be seen that the low yield growth stock occupies a very definite position in long-range investment programs and that the growth potential and its concomitant, long-range capital appreciation, more than outweighs any sacrifice which may be entailed. Further, since these stocks are unique as to their ultimate potentials, they attain a sort of "scarcity" value among experienced investors who are accustomed to paying the premiums instead in the normally high market price of these shares. This means that they are more likely to remain in strong hands even during periods of general market adjustment.

What Next After Guaranteed Wages?

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whether annual wage plans can be extended over a wide area of business activity, for basic to their success is the stabilization of operations."

Past Experience with "Guaranteed" Wages

A studious examination of the issue clearly shows why the guaranteed wage has been rejected. Experimental applications of the principle go back as far as 1893 with the experiments continuing for longer or shorter periods. At the time of the Office of War Mobilization and Reconversion survey 196 plans were in effect. The incidence of application emphasizes the extent to which a guaranteed wage plan was workable only in relatively small plants. In only one plant were more than 5,000 employees affected although in 13 plants there were from 1,000 to 5,000. The great majority of the plants were small. The largest group, 41 companies, had between 10 and 25 guaranteed wage workers. Thirty-three plants had less than 5 and 32 between 5 and 10. Thirteen plants had guaranteed workers numbering between 50 and 100.

Even in the ideal cases the guarantee is not for a stable continuing wage. Proctor & Gamble guarantees 48 weeks of employment not at any previously fixed rate but at the current weekly and hourly rates in the industry. Hormel guarantees 52 weekly pay checks but not precisely the amounts. The Nunn-Bush Shoe Company guarantees employment but not at any fixed figure; indeed the rate of pay is tied to production.

Some fifty cases were reported to the Committee of plans which had been abandoned after trial. A variety of reasons prompted abandonment, one very interesting one quite generally applicable was that union officials were reluctant to give up premium overtime rates (an obvious proviso in any plan) in return for a guaranteed annual or other term wage. On the management side, costs were found prohibitive. The Latimer Report (so named from Murray W. Latimer, the economist in charge of the Government study) found that *to be practicable a wage plan should not cost more than six per cent of actual payrolls. In two-thirds of the cases studied costs materially exceeded six per cent, ranging up to* 30 *per cent* in the cases of two steel companies studied.

Many factors entered whenever a wage plan was tried. For example, one line of industry has a much higher proportionate labor cost than another; in another industry production and sales follow seasonal patterns with difficulties involved in forecasting conditions even a few months ahead. And although one reason advanced for a guaranteed annual wage is that it would tend to stabilize all the economy, all experience has been that no two years, especially in a country like the United States, ever show the same pattern of business history.

Never can it be lost sight of that any guaranteed wage plan is fundamentally socialistic and, in this connection, the lessons of old and of immediate history hourly emphasize how persistently human beings continue to act as human beings have acted since the dawn of civilization. Rewards and punishments continue to be the mainsprings of the behavior of mankind. Men will not work as hard or as diligently for little as

they will for much and when they can obtain the rewards of labor without labor, vast numbers will not work at all! In every country where the communistic system has been tried the story is the same. Commissars may set production marks but the workers, even in the face of bitter punishments and, in some cases, death, continue to fall below their marks!

Production and Wages

The story is the same in a free enterprise country. Where the rewards of labor can be won without labor or where even an approximation of those rewards may be collected, hundreds of thousands, indeed millions will follow the easy path. Mr. Hormel has pointed out that, in the best of times, total resources are insufficient to guarantee wages without continuing production. With the fall in production that would inevitably follow the guaranteed wage, the term of possible guarantee would be that much shorter!

When the question of the guaranteed annual wage was presented in the course of the 1952 steel negotiations, the union suggested $59 a week, tax-free, as a proper guaranteed wage for periods of unemployment as well as during work. At that time, according to the Bureau of Labor Statistics, the average weekly wage, before taxes, in nondurable goods manufacturing industries was $58.69. It is obvious that the man with the guaranteed wage, free of taxes, is better off than the working taxpayer. That man, the unemployed beneficiary, is not going to strain himself to get back to work!

The State Legislatures were no strangers to mankind when they fixed unemployment rates, usually for a very limited number of weeks, at figures below the going wages of industry and trade. An important part of the policy of unemployment benefits was to fix a figure which would make it necessary for the recipient to draw upon savings to maintain his ordinary standard of living and to bestir himself to find employment at the very latest when his public payments ran out.

A part of the scheme, especially urged by the CIO as a sort of compromise, is to merge a guaranteed annual wage from private industry with public unemployment benefits. This, it is argued, lightens the burden on each. Specific proposals have been put forward by the United Automobile Workers, Mr. Reuther's own union. Especially was it proposed that State laws be liberalized so as to permit the fullest possible integration of private-public plans. For example, State laws now provide in many cases that unemployment benefits do not immediately begin. Now that would not suit the CIO for a resolution reads in one paragraph:

"Guaranteed annual wage payments should be made to workers for whom management fails to provide work in amounts sufficient to insure take-home pay adequate to *maintain the living standards* which the worker and his family enjoyed *while fully employed.*"

At this point it should be stressed that no where is it even remotely suggested that labor do anything at all in return for a guaranteed and continuing utopian support. It is assumed as a matter of inherent right that all benefits should be *received* by labor; that all benefits should be *conferred* by management. Even socialism seems to be fairer than that!

The remarkable resolution of the UWA-CIO continues: "All workers should be guaranteed payment from the time they acquire seniority. The guarantee should assure protection against a full year of layoff for all eligible workers and for shorter periods on a graduated basis for those who have not worked the minimum qualifying periods." One of the objections which other labor leaders have to the guaranteed wage is that it sets at naught hard-earned seniority. Not so under the CIO utopia. Mr. Reuther has said: "The guaranteed

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What Next After Guaranteed Wages?

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annual wage will be meaningless unless it applies to new men because they are the first to be laid off."

The more the question is examined, the farther away it drifts from all previous concepts of free enterprise and the sort of fluid economy necessary to what has become known as the American way of life. The results of a guaranteed wage system can never be wholly known until there is some broader scale application than anyone so far has found practicable. It has been suggested that, in periods of slack demand, workers could be kept on the job to manufacture for stock. This would create overhanging inventories which would prove a dyke against early or perhaps any recovery. Also, such a practice would mean an end in many cases to progressive new and improved designs. Under such a scheme the nation would still be driving Model T cars.

Burdened with a fixed guarantee charge, the producer would have to maintain protectively higher prices which, in effect, would be tied to the guaranteed wage. He could not meet competition nor hedge against recession. With the steady broadening of the idle population, even such market as first existed would dwindle. At length, employer and employee alike would find themselves marooned by the system! And all the time tax sources would be drying up so that public unemployment funds soon would be bankrupt.

There would be pressure on the part of willing workers — and there always are large numbers— to gain employment with plants with wage guarantees. Jobs would be at such a premium that there would be revived the medieval guild pattern where men even took up arms to keep down the apprentices lest they reduce the opportunities and vested rights of their elders.

Technological improvements would be regarded with the same fierce opposition by labor as experienced in the last century and progress would be stayed. The labor force would lose its mobility, industry would not dare either move or expand. All industrial resiliency would be lost as it has been in England today. Incentive to productivity would disappear.

At every turn one discerns the hand of a communistic socialism and the conclusion is inescapable that the examiner of this scheme *must read in reverse* labor's earnest affirmation that "Guaranteed annual wages are not socialism or any form of socialism; they are fully consistent with our traditional free enterprise system!"

Answers to Inquiries

(*Continued from page* 395)

stock dividend will not be paid or distributed to holders of certificates evidencing old common stock of the par value of $100 each or old common stock without par value unless and until such old certificates are exchanged for certificates evidencing present authorized $5 par value common stock.

Dividends in 1953 were $1.00 in cash and 5% in stock.

Liquid Carbonic Corporation

"I have subscribed to your publication for a little over a year and have found its articles very informative and profitable. Please submit some data on Liquid Carbonic Corporation and include working capital position."

D. Y., Springfield, Mass.

Liquid Carbonic Corporation reported consolidated net sales for the fiscal year ended September 30, 1953 in the amount of $50,586,664 compared with $44,466,551 for the preceding year.

Net profits before non-recurring charges due to the liquidation of the soda fountain division amounted to $2,441,397 or $2.36 per common share. After deducting these non-recurring charges, net income for the year was reduced to $1,934,557 or $1.81 per share. This compares with $1,829,481 or $1.77 per share in the previous year.

The decision to cease the production and sale of soda fountains was made after giving consideration to the volume outlook and the general economic conditions in that industry. Efforts to dispose of the soda fountain business having proved impractical, liquidation was undertaken. As to profits, it is expected that the elimination of this operation will enable the company to earn a greater return on investment in future years.

Capital expenditures, incurred almost entirely for the expanding compressed gas division, amounted to $2,818,731. During the year the company completed the construction of a new unit in the existing carbon dioxide plant at Urbana, Ohio at a cost of $900,000.

The company is continuing to expand its growing and profitable foreign operation and has announced the forthcoming construction of new CO-2 plants at Recife, Brazil, Barranquilla, Columbia and Barcelona, Venezuela. A participating stock interest was also acquired in a new CO-2 company at Montevideo, Uruguay during the year.

Working capital increased to $22,920,302 with a current ratio of current assets to current liabilities of almost 5 to 1.

Dividends of 35 cents quarterly were paid this year, the same as in 1952.

A New Age of Industrial Dynamism Through Atomic Power

(*Continued from page* 363)

exact thickness of steel plate, maintain automatic operation of pumps, locate leaks and obstructions in water pipes, reduce corrosion in the manufacture of gas-fired thermo-electric generators. These are but a few of industry's gains through atomic study and research. There are scores of others.

Few understand that atomic energy is big business not only for the government but for private industry as well. About 150,000 workers are already employed by corporations who build various atomic facilities for the government. Aside from the well-known atomic power plant for submarine use, work is going ahead for aircraft and large naval vessels. This involves the electronics industry in a very important way. This industry will be greatly magnified as further developments in atomic power take place. Commercial uses for radioactive isotopes are now familiar but it is not generally known that there are possibilities of extracting fresh water from the sea through atomic power processes. Agriculture itself is expected to be transformed through the new form of energy and many industries which have been producing

conventional types of equipment will have to adjust themselves to the necessity of manufacturing new types. This, of course, is for the further off future but remains a distinct and practical prospect.

Cost factors will become important as base costs for power are reduced. Large corporations will in time be able to handle these problems as atomic technology advances but there is an unpleasant prospect in store on this account for the marginal producers who will find this type of competition very difficult to offset. One can visualize the time when the great corporations of America with their enormous resources being in an even more commanding position than the present when the use of atomic energy for industrial purposes becomes really wide-spread. At this stage, of course, one can only sketch in these possibilities but they must be considered by the far-seeing investor.

As atomic research has gone forward, new materials have been found, such as separated rare earths and zirconium and other elements hitherto on the scarce list. In addition, industry has learned to use isotopes in process controls for gauging, marking, inspection and wear, to mention an important few.

Electric Power and Atomic Energy

Reverting to what may well be the greatest use of atomic energy —the generation of electric power —the writer would go into this phase in considerable detail, and at the same time try to remain away from technicalities. Perhaps, at the risk of over-simplification, it is here explained that atomic reaction will generate heat which in turn will generate steam to drive turbines which, in turn, will drive electric generators. The electric power so produced will be available for the watch maker's delicate lathe, the office building elevator, the transit line of a big city or the student's lamp.

Thus far, the Atomic Energy Commission, at two of its installations, has shown the process to be mechanically possible. As previously stated, the cost factor is not now known, and will not be known until the first power reactor, presumably to be built by Westinghouse, is completed. Meanwhile, the Navy has thought enough of the idea to design an atomic powered submarine, the Nautilus, which will be launched in late January with trial runs to be made at some later time—yet undisclosed. Success of this craft will point up future power plants for ocean-going vessels of practically every type.

Since cost of the really large scale atomic-electric plant of 100,000 kilowatts capacity, and up, is an unknown quantity at this time, there are still prospects that smaller reactors for the generation of electricity are economically feasible for use in certain areas. These would be "package" units for service in isolated spots where the importation of fuels constitutes a serious problem. The writer refers primarily to Air Force and meteorological installations in and near the polar regions. The success of such "package" units could well presage stepped up mining and timbering operations in Alaska and northern Canada. The mineral and timber wealth of the northern reaches of this continent are fairly well known; thus far they have not been tapped to an appreciable extent because of the absence of power for successful operations. The "packaged" atomic reactor may well be the key to open a veritable treasure chest.

Success of the smaller units, including the one to be installed in the submarine Nautilus, may also presage the atomic power plant for railway locomotives, but engineers who have made a study of atomic power do not see the atomic powered automobile or truck for a considerable period. Some even question the feasibility of the atomic powered locomotive, stating that bulk of the unit will be a draw-back. At the moment the potential transportation unit that is getting the most concentrated study is one to power the transport plane.

Since we have mentioned the possibility of an atomic powered railway locomotive, this might be a good point to briefly survey the effect of atomic power on the railroads of the nation. This effect, primarily, will be economic.

The advent of commercial atomic power will have "marked" effects on the railroad freight business. Railroads can expect a decrease in the business of hauling coal, but this will be offset by a heavier volume of traffic of manufactured goods as new industries grow. Commercial use of atomic power can be expected to

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IN THE JANUARY 23 ISSUE

A broad survey of the oil industry and its prospects for 1954.

★

Written by a leading specialist in this field, it will include important data on the operations of 32 of the largest companies, together with an estimate of their 1953 earnings.

Our Stake in Latin America

(*Continued from page* 372)

ties, particularly a country like Brazil, the population of which is now approaching 55 million, or Mexico, which before long will boast a population of some 30 million.

Economic Weaknesses in Latin America

Though for the long pull one cannot help being optimistic about Latin American trade potentialities in general, for the short pull the situation is quite different. This is primarily due to the fact that, as a result of (1) the steady growth of population, (2) the over-stimulating of industries, and (3) uninterrupted inflation, Latin America has developed economic and social weaknesses which will have to be faced realistically and dealt with promptly, so as not to weaken the Hemisphere solidarity —as it happened in the case of Guatemala.

Mr. Nelson A. Rockefeller, Under Secretary of Health, Education, and Welfare, listed in his recent address made at the Pan American Union, the following *seven* problems that are part and parcel of the Latin American scene:

(1) *"The possibility that the relatively high prices recently enjoyed by Latin America's exports will not be maintained."* A number of Latin American countries, such as Chile and Brazil, have been relying until quite recently on *high export prices* rather than *high export volume* to meet their needs. Chilean exports in 1952, for example, were one-fourth smaller than in 1937. But to expand the *volume of production,* individual Latin American countries will need outside capital. The problem is, how will this capital be obtained. Chile, which is already overloaned and under pressure to maintain the debt service on the existing loans, is asking the World Bank for a $125 million development loan.

(2) *"In many of the Republics there is a serious lack of adequate transportation, power, and domestic fuel supply."* The industrialization in Brazil and Argentina has necessitated heavy imports of fuel. Brazil, for example, ran up her coal and petroleum bill last year to over $300 million, which is more than the cost of her entire prewar imports.

(3) *"The failure of agricultural production in Latin America as a whole to keep pace with population growth."* The per capita food production in Latin America in 1952 was between 6 and 10 per cent below pre-war. In Brazil, where requirements, owing partly to the higher standard of living and greater purchasing power, have risen since prewar twice as fast as the country's wheat output. In Argentina, as a result of industrialization, urbanization and the rise in the purchasing power, domestic consumption of meat has risen some 400,000 tons above prewar, while overall production of meat has increased only about 160,000 tons. Consequently there are some 240,000 tons less avaliable for export.

Relative shortage of food has been one reason for the steady rise of prices. In Mexico, Argentina, Chile, and other countries, steps are being taken by respective governments to expand food output. The use of chemicals in the case of tropical agriculture gives promise of greatly expanded yields—but the purchase of fertilizers requires capital. Here again the problem is where to get it.

Leading U. S. Exports to Latin America
(In Millions of Dollars)

	1952 Jan-June	1952 July-Dec.	1953 Jan.-June	Percent of total exports Jan.-June 1953
Industrial machinery	260	211	208	26.1
Electrical machinery	121	109	103	30.6
Tractors & Agricultural machinery	72	41	44	17.5
Office appliances & others	20	27	14	......
Total machinery	473	378	369	25.7
Passenger cars	74	50	69	41.9
Motor trucks	115	74	67	51.2
Iron & steel mill products	95	77	83	31.2
Metal manufactures	78	58	65	37.9
Medicinal Preparations	63	50	51	49.3
Industrial chemicals	25	20	18	32.1
Other chemicals	84	66	65	30.6
Total chemicals	172	136	134	35.2
Grains & preparations	135	162	82	14.3
Milled rice	14	36	20	31.1
Dairy products	67	56	54	45.7
Petroleum products	51	51	49	18.9
Textile manufactures	115	102	90	27.3
All other exports	504	387	398	
Total exports	1,893	1,567	1,480	18.4

Leading U. S. Imports from Latin America
(In Millions of Dollars)

	1952 Jan-June	1952 July-Dec.	1953 Jan.-June	Percent of total imports Jan.-June 1953
Coffee	657	639	681	94.5
Petroleum products	197	198	200	54.2
Cane sugar	183	142	186	75.9
Copper	94	193	168	65.3
Wool	31	69	78	45.0
Cocoa	35	34	37	36.5
Lead	64	38	37	54.6
Bananas	28	27	34	100.0
Meat products	37	36	28	32.5
Tin	3	29	25	16.3
Molasses	26	13	20	91.2
Vegetable oil & seeds	28	24	19	22.4
Iron ore	17	22	20	49.3
All other products	315	277	284	
Total imports	1,715	1,741	1,817	32.6

Source: Department of Commerce.

(4) *"The increasing need for investment capital, both domestic and foreign."* While about 16 per cent of national output was reinvested, the percentage has differed widely from one country to another. The best record has been made in the countries, such as Mexico, where inflation controls have been applied. On the other hand, Chile, where inflation has been progressing at the rate of 25 to 40 per cent in the last few years, suffers from under-investment. A similar situation exists in Argentina. If people are to save and invest, confidence in local currencies must be maintained or restored.

(5) *"Persistent shortages of foreign exchange to purchase imports essential to continuing economic growth."* The best solution to postwar problems lies in the expansion of volume of exports. But here again, if the capacity to produce is to expand, the country must encourage domestic capital creation or induce foreign capital to come in. Many Latin American countries have been doing the opposite.

(6) *"The shortage of educational facilities to train manpower in administration, management, and the professions adequate to the needs of modern society."* Some 75 per cent of Latin Americans who study abroad come to the United States. Larger numbers of students should be encouraged to come to this country. Moreover, a large-scale educational effort is essential throughout the hemisphere.

(7) *"The limitations to economic growth imposed by restrictive national frontiers that cut across the natural lines of economic interdependence."* Under this heading, Mr. Rockefeller advocates Western Hemisphere community of interest, such as the Schuman Plan in Western Europe.

Recommendations for Latin America

While it may not be easy for some Latin American countries to adjust themselves to more normal postwar conditions under which the foreign exchange earnings will depend upon the *volume* of business rather than upon the *prices* received, there is no doubt that Latin American nations are on the march and determined to improve their standards of living. We should certainly help them, for it is in our own selfish interest that our Latin American sister Republics should develop sound economies. That is the best insurance against the spread of communism.

However, our aid should be constructive. Dr. Milton S. Eisenhower recommends specifically that:

(1) the United States adopt and adhere to trade policies with Latin America which possess stability, and with minimum of mechanism permitting imposition of increased tariffs on quotas. He considers the outstanding requirements to be stability and consistency;

(2) the United States adopt a long-range basic material policy which will permit purchase for an enlarged national stockpile of certain imperishable materials when prices of such materials are declining;

(3) the United States carefully examine whether or not it would be appropriate to amend present tax laws to remove existing obstacles to private investments abroad;

(4) public loans for the foreign-currency costs of sound economic development projects, for which private financing is not available, to go forward on a substantial scale, provided, of course, that the borrowers take the necessary measures to ensure that they are good credit risks;

(5) the United States stand ready to give appropriate technical help to Latin American countries that express a desire to work out more orderly ways of determining how their resources, including their borrownig capacity, can make the greatest contribution to their economic development;

(6) in very unusual circumstances, the President of the United States be in a position to make grants of food from our surplus stocks to Latin American countries;

(7) the United States technical cooperation program in Latin America be expanded as an effective method of helping the people attain better health, better education, improve agricultural production, and higher standards of living;

(8) we continue our vigorous support of the various technical agencies operating as an integral part of our activities in the Organization of American States: particularly the work of the Inter-American Economic and Social Council and its expanding program of successful multilateral technical cooperation program. Our Government should also continue to support the International Monetary Fund and United Nations agencies such as the Economic Commission for Latin America, which helps Latin American development through use of local resources.

In general, Dr. Eisenhower concludes that the Administration, the Congress, and the people of the United States should take a long range view in considering how we strengthen our economic relations with Latin America, for "working together, the nations of this Hemisphere can, if history so decrees, stand firmly against any enemy in war, and progress mightily together in time of peace."

A New Age of Industrial Dynamism Through Atomic Power

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accelerate the decentralization of industry, thus changing the pattern of railroad traffic.

Nearly eight years after the passage of the Atomic Energy Act, the Government is still in its original role of sole investor, proprietor and consumer in the atomic energy program. The extent, however, to which there are areas for private investment is not representative of the participation in the program. Under the AEC's method of operation—with industry and educational institutions—much of the Commission's work is carried on through contracts with private firms and research institutions. The AEC policy is to limit its own work to policy-making and programing functions.

Although we see a climate generally favorable to business, there is increasing impatience among industrialists closely allied with the AEC's program for peacetime developments of atomic energy with the rate at which they are being made publicly available. Businessmen and industrialists are not alone in this feeling. In a recent report by the Chairman of the National Security Resources Board on the recommendations of the President's Materials Policy Commission, the NSRB recommended that the President:

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A New Age of Industrial Dynamism Through Atomic Power

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"Direct the Atomic Energy Commission, in consultation with the Department of Interior and the Federal Power Commission, as well as other interested agencies, to draft for submission to the Congress an amendment to the Atomic Energy Act specifying the conditions—including patent rights, availability of fissionable materials, and allocation of costs between industrial power and weapons—under which private interests could operate commercially to benefit from their atomic power research, development, and production."

Limitations of the present Atomic Energy Act have caused hesitancy on the part of private capital. Up to this time private capital has been invested in only a few facets of the program, such as prospecting, milling, mining and processing of uranium ores into high grade concentrates; production of nuclear and radiation instruments, and manufacture of compounds containing radioisotopes for use in research and process work, and in the general use by industry of radioisotopes. Secrecy requirements in these fields are at a minimum, but these, by no means, are the maximum areas for industrial atomic development.

Assuming that the world, through the offices of the United Nations or other diplomatic channels, succeeds in preventing an atomic war, and that we can use our uranium for other purposes, some obstacles to industrial development of the atom present themselves. Two of these obstacles are of significance: One, the use of uranium must be controlled by the Government for as many years as may be necessary to *assure* our defense; Two, private industry is not yet in financial position to spend the millions of dollars necessary to experiment with the atom but it will be eventually.

The task confronting all three —The AEC, Congress and industry—is not simple, but there is reason to hope that they can deal with it in a way that will stimulate private industry to join in the great atomic development that all of us envisage.

President Eisenhower, in his December 8 address to the United Nations, challenged the Reds on the atomic question. His suggestion that all countries pool their fissionable materials resources and, outlaw atomic weapons would, if accepted in good faith, bring the atomic age much nearer to reality.

Meanwhile, the Atomic Energy Commission has laid down a "challenge" to industry. Just one day prior to the President's address to the United Nations assembly, the AEC invited private industry to invest in its proposed 60,000 kilowatt power project, mentioned earlier in this article. The latest proposal of the commission is of sufficient import to quote here in some detail:

"The Atomic Energy Commission today (Dec. 7) renewed its invitation to private industry to submit proposals for the investment of risk capital in the recently Mid-October announced project to build a full-scale nuclear reactor for generating electric power . . .

"Since the initial announcement, the Commission has discussed with several organizations proposals for building with private funds the steam turbine and electrical generating portions of the project and for operating the entire power plant. The AEC encourages further evidence of industry's interest in private investment for the purpose of obtaining firsthand experience with the new technology involved in building and operating a large-scale reactor designed specifically for power producing purposes."

Private industry doubtless will accept the challenge.

Antedating the AEC invitation by two or three days was the formation of a new corporation—Nuclear Power Company. Incorporation papers filed with the Indiana Secretary of State give the new corporation's purpose as "to manufacture, generate and produce electric power by energy produced by nuclear processes and other means."

The new corporation is backed by five well-known operating utilities, outstanding in their respective areas of operations. They are Gas & Electric Service Corp., New York; Commonwealth Edison Co., Chicago; Pacific Gas & Electric Co., and Betchel Corp., both of San Francisco, and Union Electric Co., St. Louis.

This one corporate application still does not suggest that electrical energy from the atom is something we are to have on a wide scale in anything like the immediate future, but it can be accepted as a most definite omen that private industry is more than alert to the industrial potentials of the atom, that private industry is making ready for the transition from conventional power sources to the very likely power source of the future.

Whatever the difficulties, they will be surmounted. Of that one can be quite sure. For that reason, we say truthfully that the Atomic Age is here in reality and that it will become more and more a potent factor in our economic and industrial life with consequences that will be extremely far-reaching in their impact on our economic structure. It is for this reason that so many far-seeing corporate executives believe that they must find the means of enabling their companies to participate in this monumental development. Investors are already making long-range plans to participate through investment in companies which are taking a commanding lead in the new field.

The Trend of Events

(*Continued from page* 356)

order to complete their programs. This calls for extensive financing, a trend which has been established particularly in recent months, and which is illustrated in the impressive size of new offerings by a few prominent corporations.

Aside from the American Telephone & Telegraph Co. which has been able to finance in recent years through the device of convertible bonds which will eventually turn into capital stock, all of the other industrial companies seeking funds have taken recourse to straight bond issues with medium or long-term maturities.

Public utility companies have been able to finance partly through bonds and partly through the direct sale of new stock.

There has been almost no new railroad financing, capital expenditures having been provided largely through surplus earnings, over and above dividend requirements. In the case of the railroads, financing of such projects has been facilitated through the exceptional growth of earnings during the past decade at the same time that dividends were kept to a minimum. Had dividends, in this case, been proportionate to earnings, it would have been difficult for the carriers to make major capital improvements as the feasibility of new public issues had not been established owing to the lack of public favor. In due time, however, the railroads may re-establish their old-time investment rating, providing regulatory provisions are liberalized.

As I See It!

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case of war, we would be forced under highly unfavorable conditions to come to the rescue once again and this time liberate France, not reasonably intact, as on the two previous occasions, but smashed into the ground by atomic warfare.

How can there be any choice for France, except to rely on the only real assurance that can be offered her in the form of the genuine protection guaranteed by the collective defensive program of the United States, Britain and EDC? Furthermore, the French who are shaken by internal dissensions and who are threatened by dissolution of their Empire are not in a position to sacrifice the support and aid which is still available to them.

The French should also be concerned in the fact that our own final plans of defense cannot be completed as long as ratification of EDC is postponed or remains in doubt. France is an integral part of the defense. If there is reason to believe that France can no longer be regarded as a cornerstone of our defense, then as Secretary Dulles bluntly pointed out, we will be forced to adopt the unpleasant alternative of entirely recasting our military strategy. At this late stage, this would be deeply resented by the American Congress and people.

In the final analysis, we are not thinking only in terms of military planning. We are thinking in the much broader terms of European unity, in which we would give much to see France take her rightful place as leader of civilization that will flower to the benefit of all mankind. In such a framework, Germany could not be a menace to France. We see in EDC an indispensable element of such a beneficent outcome.

This is the hope that Secretary Dulles was holding out to France and, through her, to the world. The time has come for France to decide, but time is running out very rapidly. This is also something that the Secretary was telling the French.

Pattern of Investment Selectivity Changing

(*Continued from page* 359)

run beyond 1954. It is too soon to expect positive clues on the central question to be found in the President's nearing messages to Congress in January, or in the course of business in the very early months of 1954. With a seasonal rebound in automobile and steel activity due, the decline in production seems likely to level out in nearby months, deferring a more significant test to a few months later.

We continue to look for a moderate-range, highly selective market. There is no change in policy. Hold conservative reserves for later buying opportunities. Put the emphasis on quality and profit potentials of individual stocks in making portfolio adjustments.

Monday, December 21.

BOOK REVIEWS

South American Handbook

The wealth of material to report is embarrassing to this reviewer. He has always hoped to visit the countries south of the Rio Grande and so finds much vicarious enjoyment in reading in the *Handbook* of their peoples, history, background, flora, fauna, topography, climate, and scores of other appealing items. A businessman reviewing the book would doubtless stress the vital statistics: exports, imports, oil, minerals, banking, opportunities, currencies, tables, charts and time tables (getting one here and there by ship, plane, rail and road), all meticulously detailed, for 23 countries including Mexico and Cuba, with a bonus of many islands and ports of call en route.

H. W. Wilson $2.00

Economics For You and Me

By ARTHUR UPGREN and STAHRL EDMUNDS

This readable book explains economics in simple, clear language. Everyone who wishes to understand more thoroughly the economic system in this country will both enjoy and benefit from this informed, and informal, approach.

The authors look at the vast interchange of goods and money from the point of view of the Gross National Product, or, in plain English, the total output of everything that is made in the United States. They show how this output changes from year to year, the causes of the changes, the methods by which they are accomplished, and the results on businesses and individuals.

The role of the businessman—who makes the output, whether it be material goods or services, and the role of the consumer—who uses the goods and services, are thoroughly explored. Whether you are producer or user, or (what is more likely) both, this book will make you better able to analyze your own position, to prepare for the future and to meet any emergencies which might occur.

Macmillan $4.00

The Florentine

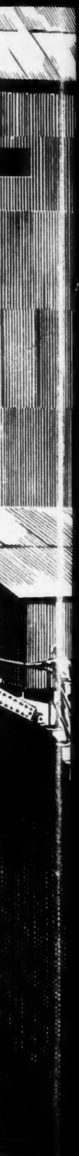
By CARL J. SPINATELLI

Here is Renaissance Italy—an era of Titans struggling for supremacy in politics, religion, art and war—a society that ran the gamut from grandeur to infamy—a culture where only perfection survived—a climactic drama of civilization played against a sumptuous background, lit with the golden fire of genius. And dominating it all the figure of an artist, soldier, scapegrace, swashbuckling rogue of noble spirit and passionate blood—Benvenuto Cellini.

All Europe buzzed with his escapades: his hairbreadth escape from the hooded Council of Eight in Florence, the erupting jealousies he raised among the favorites of the papal court, the boisterous pranks that often ended with swiftly drawn rapiers.

Long after the final page is turned you will remember and thrill again at the bloody sack of Rome, the suspense of duels to the death, sinister assassinations, the terror of a Black Mass, the lyric love of Celini and his Angela.

Prentice-Hall $3.95



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